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WORLD NEWS

BSB launch may be on cable only

Shortage of receiver equipment may force British Satellite Broadcasting, the £1.3bn satellite television venture, to limit its initial launch to cable television networks.

Some BSB staff believe that the satellite company will decide to launch a programme service to cable networks on March 25 with only 2,000-3,000 receivers available for direct reception in homes.

New Rushdie threat

Ayatollah Ali Khamenei, a senior Iranian leader, reaffirmed the "death sentence" passed on Salman Rushdie, author of The Satanic Verses, by Ayatollah Khomeini nearly a year. Page 3

Ambulance vote

Ambulance unions want to use the forthcoming parliamentary by-election in mid-Staffordshire as a "referendum" on their dispute. Page 5

Gas pay offer

British Gas offered its manual employees pay rises of between 9 and 9.8 per cent in a move which demonstrates the growing pressure on companies to concede pay rises above inflation. BAe offer, Page 5

Romanian parties meet

Forty-five Romanian political parties met for the first time to discuss the composition of the Provisional Council for National Unity which will act as a transitional parliament until elections. Page 2

Liverpool airport plan

British Aerospace is negotiating with Liverpool City Council to lease land for a £1.2bn airport which would be built as a transatlantic gateway to Europe. Page 5

BR instant fines

British Rail will introduce on-the-spot fines for non-payment of fares in the summer on two lines in the Network SouthEast area of England. Page 5

Fraud sentence cut

The five-year sentence on an accounts clerk for her part in an attempt to defraud Britoil of £23m was cut to four years by a Scottish appeal court.

Factory explosion

An explosion wrecked part of an ageing East German chemical complex killing three people and injuring 25.

Karachi deaths

Three people were killed in Karachi, Pakistan, bringing the death toll to 67 in three days of ethnic and political unrest.

Rivers alert plan

The National Rivers Authority is considering controls over water quality, including an "amber warning" system to alert the public to the threat of river pollution. Page 4

Air France threat

Air France said it would cancel a third of its medium-haul flights if pilots and flight technicians went ahead with a 48-hour strike due to start at midnight today.

Del Shannon dies

Sixties pop star Del Shannon, 50, best known for his 1961 hit Runaway, was found shot dead at his home in California. He is believed to have committed suicide.

BUSINESS SUMMARY

Sock Shop first-half £4m loss

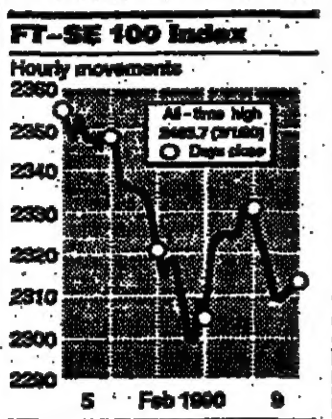
Sock Shop International, hosiery retailer, reported a loss of £4m in the first half of its financial year. Its chairman, Ms Sophie Mirman, blamed last summer's hot weather and transport strikes for poor sales and said she had "no intention" of selling the company. Page 8; Lex, Page 24.

THE SUPREME Court of Victoria upheld the appointment of receivers at Mr Alan Bond's Australian brewing interests, criticising the Bond group's conduct. Another arm of the entrepreneur's empire, Bond Media, won a reprieve on a A$367m (£164m) loan repayment until March 28. Page 10

RANKS HOVIS McDOUGALL, UK foods group, is in talks with Suntory of Japan to sell its 70 per cent holding in Cerebos Pacific, Singapore-based food group. For Suntory, the deal would represent a first venture into Asia, outside Japan. Page 24

STOCKS retreated in nervous dealing yesterday, with investors worried by the prospect of rising inflationary trends in Europe and a possible interest rate rise by the West German Bundesbank. The FT-SE Index was down 17.4 points to close at 2,313.6, after a morning high of 2,323.9.

FT-SE 100 Index



MEMBERS of a Lloyd's of London insurance syndicate are considering legal action for negligence over $250m (£147m) losses due to heavy asbestos and pollution claims in the US. Page 24

ITALIAN Budget Minister Paolo Cirino Pomicino said Italy will lift its final foreign exchange restrictions in May, two months before the July deadline for the liberalisation of capital flows within the EC. Barriers to be lifted include a ban on Italian residents holding foreign bank accounts.

UNIVERSAL, Polish foreign trade company, is to be one of the first to be privatised under the Government's free market policies. The sale is to be managed by Bank IG, the Hungarian bank itself soon to be privatised. Page 10

EASTERN AIRLINES said it asked the US Bankruptcy Court in Manhattan to grant a 30-day extension of its exclusivity period until March 12 to submit a reorganisation plan. Eastern said the request was supported by the airline's unsecured creditors.

SMITHKLINE BEECHAM, US pharmaceuticals manufacturer, announced changes to its AIDS drug development programme after efforts to improve production capability for its soluble T4 protein were unsuccessful.

CHRYSLER Corporation declined to comment on reports that it is engaged in negotiations for the possible sale of its Gulfstream business-aircraft manufacturing unit to Forstmann, Little and Co., a New York-based leveraged buyout firm.

JAPAN'S largest pharmaceutical company, Takeda Chemical Industries, is to build a $90m vitamin C plant in Wilmington, North Carolina, increasing total US vitamin C production capacity by a third.

Soviets agree to US plan for 195,000 troop ceiling

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday agreed a ceiling of 195,000 should be imposed on Soviet troops in central Europe, as suggested by President George Bush last week, but insisted that US troops should be limited to the same level throughout Europe.

Mr Gorbachev's statement, made at talks in Moscow with Mr James Baker, US Secretary of State, accepted figures offered by Mr Bush last week.

But, he apparently rejected the idea that an extra 30,000 US troops could be stationed outside central Europe.

Mr Bush proposed last month, in his annual State of the Union speech, that each superpower should retain 195,000 men in central Europe but that the US could keep another 30,000 in Britain, Italy, Greece and Turkey without a matching Soviet deployment.

Tass quoted Mr Gorbachev as saying that if the 195,000 figure was unacceptable, the Soviet Union proposed a ceiling of 225,000 troops each in Europe, excluding Soviet territory.

Mr Gorbachev's statement appeared to show that Moscow was not ready to accept that the US should keep more troops in western Europe than the Soviet Union had in eastern Europe.

The Soviet Union has about 575,000 troops in eastern Europe and the United States some 305,000 in western Europe, according to western figures.

Talks between Mr Baker and Mr Eduard Shevardnadze, the Soviet Foreign Minister, went into an unscheduled extra session last night to bridge differences on arms control between the two sides.

The unexpected extension of talks came after a day of high level superpower negotiations.

These included talks between Mr Baker and Mr Gorbachev lasting four hours – two hours more than planned.

The Moscow talks yesterday centred on the outstanding differences between the US and Soviet Union on the Strategic Arms Reduction Talks (START). They also touched on the issue of German reunification.

Mr Baker's visit to Moscow is aimed at clearing the way for a START agreement which Mr Bush and Mr Gorbachev aim to finish in time for the June superpower summit in Washington.

Continued on Page 24

A WAR of words broke out yesterday between the two Germanies as East Germany angrily denied earlier allegations by Bonn that it was approaching bankruptcy, writes David Marsh.

Mr Wolfgang Meyer, the East Berlin government spokesman, termed as "nonsense" remarks from a senior chancellery official that East Germany would run out of money in the next few days.

The official said that East Germany might turn soon to West Germany for huge "stability payments." Another official said that East Germany would be unable to pay civil servants for more than a few weeks.

Bonn believes that East Germany is moving quickly towards turmoil.

As East Berlin voiced bitterness about an alleged destabilisation campaign from the Federal Republic, confusion rose in both German states about unification prospects ahead of Chancellor Helmut Kohl's visit to Moscow today.

Ron Todd to investigate the national executive ballot irregularities

TGWU vote suspended over misuse

By John Gapper, Labour Editor

Ron Todd: Unhappy at cloud of suspicion

MR RON TODD, general secretary of the Transport and General Workers' Union, yesterday suspended a crucial national election for the union's ruling executive after being told that ballot papers held at the union's headquarters had been misused.

Mr Todd, whose own election as general secretary was re-run in 1985 after accusations of ballot-rigging, said he was horrified that a "breach of security" involving spare ballot papers had led to "an irregularity" in the ballot.

The election was being watched closely within the Labour Party because the slim left-wing majority on the 39-strong executive has opposed some of the moves by Mr Neil Kinnock, Labour leader, to moderate the party's policies.

The Labour Party and the TGWU have clashed most openly over the union's support for unilateral nuclear disarmament, and right-wing candidates in the suspended election have suggested they would display more loyalty to the Labour leadership.

Elections in the TGWU, which has 1.3m members and is the largest union in the country, have been dogged by controversy in recent years. There were unproved accusations of ballot-rigging after the last executive elections in 1988.

Mr Todd said he had decided to suspend the ballot, which will be re-run between February 16 and March 26, after the Electoral Reform Society had reported its unease about the use of some papers traced to the batch at headquarters.

The papers were being held at the union's Transport House headquarters so that members of the union who complained at not receiving papers directly could be sent spares after their names had been checked with the union's regions.

Mr Todd said only a "very small number" of papers were involved, but he did not want any candidate in the election to be think that there had been ballot-rigging. "Whatever abuse there is, I am not going to live with that," he said.

He said he was unhappy that "a cloud of suspicion" would hang over staff at Transport House until his investigation was finished. "When and if I discover the people involved in any irregularity, they are finished at the TGWU," he said.

The Electoral Reform Society, which supervised the ballot, was said to have become suspicious at a late surge in the returns in some of the union's 14 trade groups and 11 regions. The papers were found to have come from Transport House.

The suspension of the ballot is a particular blow because it is the first in what is expected to be a rolling series of leadership elections – including one for the general secretaryship on Mr Todd's retirement – over the next year.

Mr Bill Morris, deputy general secretary and Mr Eddie Haigh, assistant general secretary, are expected to stand for re-election this year under provisions in the 1988 Employment Act. Mr Todd's retirement is expected to follow.

It was also the first time that the executive had been elected in a postal ballot, rather than the former system of workplace ballots. This was expected to reduce the chances of irregularities in the conduct of the ballot.

Mr Rhys Vaughan, a solicitor who was acting as scrutineer for the election, said he supported Mr Todd's decision to re-run the ballot although the election had been conducted properly within legal requirements.

Left-wingers have had a 21 to 18 vote majority on the TGWU executive council since the last election, which later became subject of controversy when Mr Steve Riley, a left-wing member was, accused of having been in arrears when elected.

Alternative to poll tax is pledged by Labour

By Philip Stephens, Political Editor

THE LABOUR PARTY yesterday pledged itself to replace the Community Charge, or poll tax, with a local tax linked both to property values and to incomes, but held back from committing itself publicly to the scheme which is under intense study within the Shadow Cabinet.

Amid Government charges that Labour has no realistic alternative to the tax and that it plans a punitive "roof tax," Mr Brian Gould, the party's environment spokesman, set out the broad principles which would underpin its alternative.

He told Labour's local government conference in Cardiff that the framework would ensure a system fairer and more efficient than either the old rating system or the "arbitrary and capricious" poll tax.

Denying any splits within the Shadow Cabinet over its alternative, Mr Gould said that the party was committed to a "modern property tax," which would take into account the value of an individual's property and their ability to pay.

He declined to spell out the details of how the scheme would work, saying that the party is still looking at two alternatives. One of those is the scheme adopted earlier this month by the Labour Party in Scotland – a property tax with a comprehensive rebate scheme for those on low incomes.

Papers circulated to members of the Shadow Cabinet

Continued on Page 24
Background, Page 4

Weekend FT

Curtain about to rise on the City's trial of the century

By Raymond Hughes, Law Courts Correspondent

IT IS being called The City Trial of the Century - the first of the two criminal trials in the Guinness affair, due to start on Monday and expected to last until late July.

It is to take place at Southwark Crown Court on the south bank of the Thames in London, in the shadow of Tower Bridge and under the guns of HMS Belfast, the Second World War warship that is one of the capital's most popular tourist attractions.

It involves four leading City figures, eight Queen's Counsel, a covey of other lawyers and the most extensive - and expensive – alterations ever made to an English courtroom, which were still going on late yesterday.

Southwark Court was chosen as the venue because the Old Bailey does not have a courtroom large enough to accommodate such a trial.

Even so, Court No. 2 has had to be stripped and remodelled at a cost of £15,000 - the bill being footed by the Lord Chancellor's Department.

Gone are the light oak benches and tip-up seats usually occupied by barristers and solicitors, press and public. In their place are metal tables and blue, black or orange office chairs - swivel for barristers and jurors, static for *hoi polloi* - making the setting more reminiscent of a public inquiry than a criminal trial.

Even the dock has been unbolted from the floor, reduced in size and its position slightly altered.

Only the judicial bench, from which Mr Justice Henry will preside over the trial, is untouched - in deference, no doubt, to the need to maintain the majesty of the law.

The logistical problem of preparing the courtroom fell on the shoulders of Southwark court's chief clerk, Miss Mary Burton. The alterations, she said yesterday, had been necessary because "the sheer numbers we are trying to accommodate" - running to several score – could not have been comfortably seated in the fixed furniture.

"We decided to give counsel what we called a green field site, which meant gutting the court and bringing in tables and chairs to their specification."

It had, she acknowledged, involved a good deal of expense and, "given the financial constraints on the public services, it has not been easy."

In the remodelled dock on Monday will be Mr Ernest Saunders, former Guinness chief executive, Mr Gerald Ronson, chairman of Heron Corporation, Mr Anthony Parnes, a former City stockbroker, and millionaire financier Sir Jack Lyons.

Mr Saunders' defence is led by Mr Richard Ferguson, QC, an Ulsterman and former Unionist member of the Stormont parliament, who is believed to be the only barrister to have "taken Silk" in three jurisdictions to become a Queen's Counsel in both England and Northern Ireland and a Senior Counsel in the Irish Republic. According to Who's Who, Mr Ferguson's recreations include "drinking Guinness."

Continued on Page 24

MARKETS

STERLING
New York lunchtime:
$1.6943 (1.694)
London:
$1.693 (1.687)
DM2.835 (2.8225)
FFr9.6375 (9.59)
SFr2.5325 (2.52)
Y245.75 (245.25)
£ index 89.4 (89.1)

GOLD
New York: Comex Apr
$420.5 (423.5)
London:
$415.75 (417)

N SEA OIL (Argus)
Brent 15-day Mar
$19.175 (18.725)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.6720 (1.6673)
FFr5.6875 (5.669)
SFr1.4942 (1.4895)
Y145.1 (145.3)
London:
DM1.675 (1.6725)
FFr5.6925 (5.685)
SFr1.4965 (1.4945)
Y145.3 (145.35)
$ index 67.1 (67)
Tokyo close: Y144.72

US LUNCHTIME RATES
Fed Funds $8\frac{1}{8}$% ($8\frac{3}{16}$)
3-mo Treasury Bills:
yield: 8.023% (8.057)
Long Bond:
$101\frac{3}{32}$ ($95\frac{1}{16}$)
yield: 8.388% (8.484)

STOCK INDICES
FT-SE 100:
2,313.6 (-17.4)
FT Ordinary:
1,830.7 (-14.6)
FT-A All-Share:
1,156.72 (-0.7%)
New York lunchtime:
DJ Ind. Av.
2,650.23 (+5.85)
S&P Comp
333.51 (+0.55)
Tokyo: Nikkei
37,288.14 (-229.1)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{32}$ (same)
Liffe long gilt future:
Mar $87\frac{3}{16}$ (same)

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Austria Sch24; Bahrain Din0.700; Bermuda $1.50; Belgium BFr55; Canada C$1.00; Cyprus C£0.90; Denmark DKr12.00; Egypt E£3.25; Finland Fmk8.50; France FFr7.50; Germany DM2.60; Greece Dr180; Hong Kong HK$12; Hungary Ft107; Iceland IKR160; India Rup15; Indonesia Rp3,100; Ireland I£0.80; Israel NS3.50; Italy L2000; Japan Y600; Jordan Fils1,000; Kuwait Fils.500; Lebanon £1,400; Luxembourg LFr55; Malaysia Rin4.25; Malta 40c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.25; Norway Nkr12.00; Portugal Esc150; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta165; Sri Lanka Rup30; Sweden SKr12.00; Switzerland SFr2.80; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L1400; UAE Dh7.00; USA $1.00.

OVERSEAS NEWS

Soviet party threatened as reformers plan to meet

By Quentin Peel in Moscow

THE ruling Soviet Communist Party was yesterday facing new threats to its supremacy from both within its ranks and outside, in the wake of the decision by the party leadership to abandon its constitutional monopoly on power.

Key meetings of radical reformers have been called for today and next week, which could see the first moves towards a party split, and demands for round-table talks with opposition forces along the lines tried in East Germany.

Even Mr Mikhail Gorbachev, as party leader and head of state, fuelled doubts on the future of the party when he was questioned by US correspondents just before his talks with Mr James Baker, the US Secretary of State. Asked if he would stand as a Communist in future multi-party elections, he said: "Let us wait and see."

In spite of his best efforts to insist on party unity and revitalisation, popular protest continues to spread.

It was revealed yesterday that delegates of the new Democratic Platform of reformers within the Communist Party will meet in Moscow today to consider the outcome of the plenum.

Some are expected to urge that the moves for inner-party democracy are inadequate, and that social democratic sympathisers should break away as soon as possible.

Next week, a wider group, including the Inter-Regional Group of Soviet deputies, led among others by Mr Boris Yeltsin, the former junior member of the Politburo, the Moscow Voters' Association, the three largest miners' strike committees, and informal democratic groups such as the Democratic Union, will meet to form a Citizens' Action Committee.

The alliance arises out of last Sunday's mass demonstration in central Moscow, and its key aim is to set up a round-table dialogue between the ruling party and the opposition groups.

These moves coincided with new revolts against regional Communist Party leaders in the two largest coalfields – the Donbas and Kuzbas fields – and in Ufa, capital of the republic of Bashkiria.

Another potential threat of mass popular protest has come with a decision by the state prosecutor to take action against two of his former employees – anti-corruption campaigners Mr Telman Gdlyan and Mr Nikolai Ivanov. They are accused of using illegal methods to extort confessions of corruption.

However the two, both members of the Congress of People's Deputies, have become popular because of their anti-corruption campaigns, and any attempt to prosecute them is likely to be seen as an attempt to cover up further corruption.

Brussels studies French proposal to end Renault row

By William Dawkins in Paris

THE European Commission yesterday began studying a last-ditch attempt by France to resolve the 18-month row over an allegedly illicit FFr12bn (£1.2bn) debt write-off for Renault, the car maker.

A compromise plan over 100 pages long, prepared by the French Industry Ministry with Renault, suggests the state-owned company could repay roughly a quarter of the aid, to reflect the fact that it has scaled down earlier job cutting plans. The Government would have the option to reimburse the group partly or fully later, by buying new Renault shares.

Brussels has given France until February 23 to talk it into a compromise, failing which the Commission plans to demand full repayment at the European Court of Justice, in the biggest and most politically touchy state aid dispute between France and the EC authorities.

Some in French government circles interpret Brussels' toughness as a sign that Sir Leon Brittan, European Competition Commissioner, wants to clamp down all round on the extent to which government shareholders can support state-owned industries. Yet Sir Leon is also under a moral obligation to deal evenly, given that the Commission has forced Italy, West Germany and Britain to curb individual state aid packages for their car industries in recent years.

France's previous centre-right government actually won the Commission's agreement for a FFr12bn Renault aid package in 1987, on condition that the company lost its privileged status as a "régie", under which it cannot go bankrupt. But the present Socialist administration, which took power a year later, refused to implement that change, to avoid a row with its vital Communist and CGT union supporters.

The other main Commission condition was that Renault cut its car production capacity by 15 per cent and its truck-making potential by 30 per cent. Paris estimates that Renault has managed roughly three-quarters of that – though the sides cannot agree an exact figure – which is why the French Government is offering to make Renault repay a quarter of the aid. French officials say the exact amount is still open to negotiation.

Brittan calls for dismantling of barriers to car imports

SIR Leon Brittan, the EC Competition Commissioner, said yesterday all restrictions in the EC car market should be lifted "towards the middle of the decade", and called on members states with restricted markets – explicitly including the UK – to start dismantling barriers, Lucy Kellaway writes from Brussels.

He took issue with Mr Jacques Delors, the Commission President, who had previously said the EC should phase out its existing regulations on Japanese cars over seven years. "My hope is that we can achieve a single market for cars sooner than that," he said.

Sir Leon was addressing the Cambridge City Conservative Association Business Club on what has become one of the most contentious single-market issues. The exact length of the transition period and the type of monitoring arrangements are being fiercely contested by member states, with countries such as France and Italy – which have high barriers against Japanese imports – arguing for a transition period of 10 years, while other countries want a shorter period.

Sir Leon argued that the car industry would need some interim protection when barriers come down, quoting the vastly superior record of Japanese manufacturers on making cars without defects, and on research and development. "If restrictions were totally eliminated overnight there could be serious disruption," he said.

The backwardness of the industry was partly a result of protectionism, which had not allowed European car makers to respond quickly enough to technological change.

He said the transition period should be as short as possible, all nationally administered monitoring should stop by 1993, and a subsequent period of transition should be managed by the Commission.

Romanians at odds on Council

By Judy Dempsey in Bucharest

ROMANIA'S new political parties were last night locked in disagreement over the composition of the Provisional Council for National Unity which will act as a transitional parliament until elections are held in May.

Forty-five political parties, including the Front for National Salvation formed during the December revolution, met in the Old Parliament.

But the meeting was partly overshadowed by a bitter row at Romanian Television. Mr Aurel Dragos Munteanu, a prominent critic of the Ceausescu era who was installed as its head during the revolution, yesterday resigned following accusations that the Front did not give sufficient coverage of the opposition parties or of the massive anti-Front demonstration on January 28.

The Front, under pressure from the National Peasant Party and the National Liberal Party, the two strongest opposition parties between the wars, last week agreed to form an interim parliament aimed at providing stability and consensus in a country whose population remains politically disoriented, uncertain and sceptical since the collapse of the Ceausescu regime six weeks ago.

Each political party will have three members on the new Council. However, the Front for National Salvation will have over 90 deputies. Forty will be chosen from the counties, 30 from the Front's old Council and 20 from the youth and student movements.

The Front's ability to dominate the Council is now no longer a foregone conclusion, given the enlargement of the Council by 10 ethnic minority groups.

It is also expected that the National Liberal Party and the Peasant Party, which is deeply hostile towards the Front because many of its members are former Communists, will try and have some say in the Government.

But the Front wants the Government to have more autonomy from the "transitional parliament". Most ministers are Front supporters.

Mr James Baker, the US Secretary of State who is on a visit to Moscow, may make a two-hour trip to Romania tomorrow, the first senior US official to do so since the revolution.

Israel resumes links with Czechoslovakia

By Hugh Carnegy in Jerusalem

ISRAEL yesterday resumed full diplomatic ties with Czechoslovakia and confirmed a significant breakthrough in efforts to open relations with East Germany, as the political benefits of reform in Eastern Europe continued to accrue.

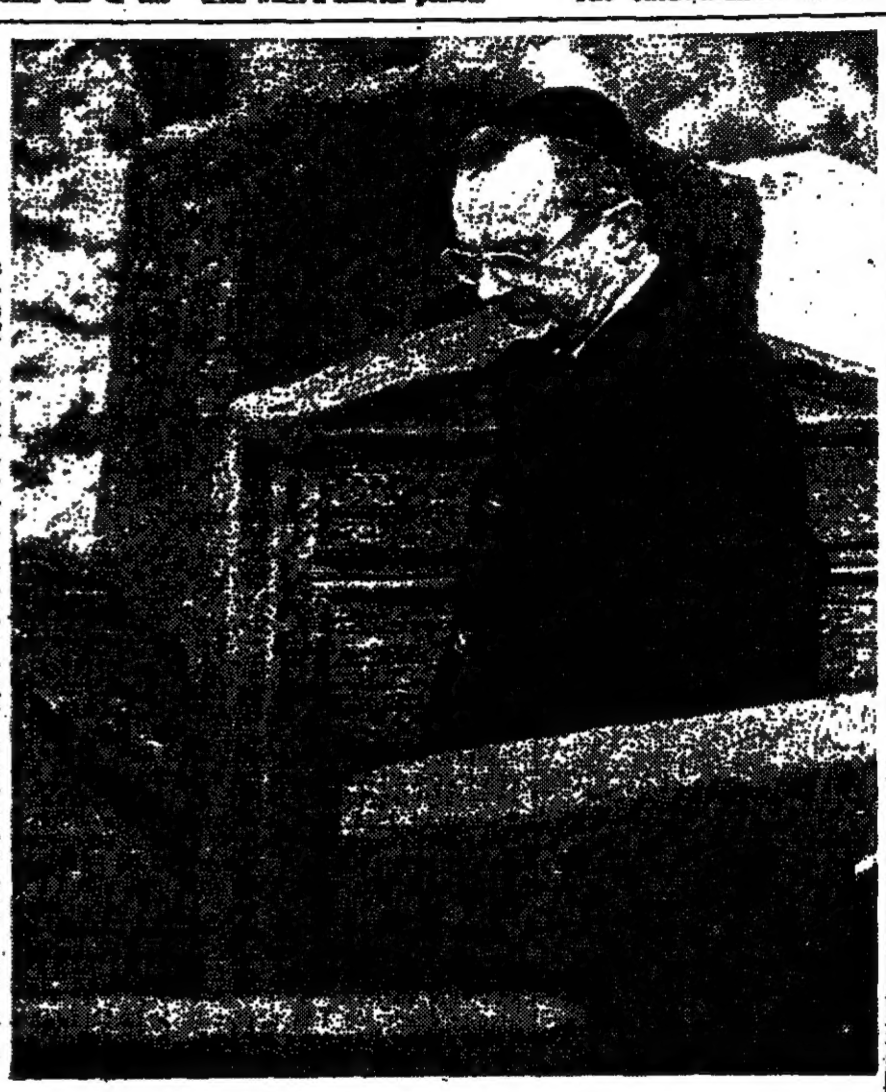
The new governments in Prague, Warsaw, Budapest and East Berlin have all moved swiftly to mend relations with Israel, broken off in line with the Soviet Union after the 1967 Six Day War. The trend is a welcome boost for Israel, building friendships with previously pro-Arab countries at a time when it is under pressure in the West, especially from the EC, over its policies in the Occupied Territories.

Yesterday, Israel's Star of David flag flew over the Czechoslovak foreign ministry as Mr Moshe Arens, the Israeli Foreign Minister, and Mr Jiri Dienstbier, his Czechoslovak counterpart, signed the agreement re-establishing full relations. Hungary did likewise last September, and Mr Arens is due in Warsaw at the end of the month to seal ties with Poland.

Even more remarkable, given the previous régime's complete lack of links to Israel, was the move by East Germany. Following preliminary talks between officials of the two countries in Copenhagen, Mr Hans Modrow, the East German Prime Minister, has written to the Israeli foreign ministry and the World Jewish Congress acknowledging a share of responsibility for the Holocaust and a willingness to pay reparations to Jewish victims.

The main motives for the quick turn towards Israel seem to have been a desire to show independence from Moscow-dictated foreign policy and a search for economic help.

Right: Israeli Foreign Minister Moshe Arens walks through Prague's Jewish cemetery.



Pöhl lists obstacles to DM union

By David Marsh in Bonn

SPORTING his favourite red tie, Mr Karl Otto Pöhl, the president of the West German Bundesbank, came to Bonn yesterday to express his reservations about the government's plan for immediate talks on monetary union with East Germany.

Mr Pöhl, a practised financial diplomat, recited a long list of obstacles to Chancellor Helmut Kohl's idea of possibly introducing the D-Mark into East Germany before the end of the year.

However, in a news conference, Mr Pöhl defended himself with aplomb from charges that he is single-handedly trying to block the idea of currency union. The Bundesbank would support the government's suggestion and give its advice, he said - adding pointedly: "We will try to minimise the risks."

Emphasising that the financial resources needed to transform the East German economy would be "manageable", Mr Pöhl turned the tables on the Government by accusing Bonn politicians of being "small minded" in their approach.

Mr Pöhl said that the monetary union plan would require a "radical change of East Germany's economic structure". It would involve a formal treaty between the two Germanys, introduction of a Western-style banking system, wholesale tax reform and agreement by East Germany to take over from the West a host of economic laws and regulations.

"This cannot happen overnight," Mr Pöhl said, adding that if this happened, it would have "negative consequences" for East Germany itself.

He said that if wages paid out by East German state companies (Kombinate) to their workers in East Marks were suddenly transformed into D-Marks, "most would go bankrupt".

The Frankfurt-based Bundesbank has not concealed in recent weeks its distaste for pressing ahead with monetary union. Mr Pöhl described Bonn's suggestions so far as "cryptic".

He confessed his surprise at Mr Kohl's proposals, made on Tuesday, to offer "immediate talks" on monetary union. This marked a turn from the government's position only a day earlier. It appears to have been sparked off by a dire report on mounting East German social unrest.

When he was in East Berlin on Tuesday for talks with the East German central bank, Mr Pöhl said yesterday he was still under the "impression" that the Government favoured a gradual plan for forging monetary links.

Mr Pöhl admits that he has never had much interest in reunification. In an interview last year he suggested that normalising the East-West German border could take 50 years.

He has now gone so far as to lecture the politicians on their "shabby attitude" towards unity. "You can't talk about it for years and then, when the Wall is no longer there, say it shouldn't cost us anything," he said.

Bush 'out of touch' with E Europe

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush has been strongly criticised by congressional leaders for "being out of touch" with political changes in the Soviet Union, as Democratic leaders prepare their alternative defence budget.

Mr Bush returned to the White House on Thursday from a tour of Western and Plains states, where he visited military installations. He urged the need for continued vigilance, warning against premature cuts in defence spending.

Mr Les Aspin, Democratic chairman of the House armed services committee, has said the Administration is "tremendously out of sync with what is going on in the world". Mr Richard Gephardt, House majority leader, has said: "With freedom ready to ring from the Kremlin to Prague, with the Communist Party surrendering its power monopoly in the Soviet Union, Americans are asking: Why is President Bush in Nebraska beating ploughshares into swords?"

Mr Bush's cautious response to Soviet changes reflects his concern that US opinion will become too euphoric.

He stresses the need for a strong US defence stance, worried that US force cuts in Europe will be deeper than his revised proposals of 10 days ago, and warning this would be seen worldwide as "some kind of neo-isolationist decoupling".

The Administration is on the defensive on these issues in Congress.

Yesterday, even strongly pro-alliance members of the Senate foreign relations committee were questioning how a continued large US troop presence in Europe could be justified to US taxpayers in view of the reduced Soviet threat.

After congress completes hearings into the changed Soviet threat and the right US response, Democratic leaders will produce their own plan, likely to involve cuts in the overall defence budget below the total requested by the Administration, with substantial cuts in various strategic programmes.

Europe accuses US of dumping wheat in Africa

By Tim Dickson in Brussels

THE European Commission yesterday accused the US of dumping heavily subsidised wheat on the North African market.

In a statement which raises the political temperature ahead of this month's resumption of international trade negotiations in the Uruguay Round, on liberalising world trade, conducted under the aegis of the General Agreement on Tariffs and Trade, Mr Raymond MacSharry, the EC's Agriculture Commissioner, expressed his "deep concern" at recent subsidised cereals sales by the US Government.

In particular, he pointed out that a new deal with Tunisia for soft red winter wheat had been struck at a price 8 per cent lower than that agreed for similar sales the previous week. This involved 50,000 tonnes of soft wheat to Tunisia at $130 per tonne, against 300,000 tonnes of wheat priced at $142 a tonne for China.

Mr MacSharry said Brussels would follow developments to see if this was an isolated case, or if it marked the beginning of an aggressive new export policy by the US. He said he was ready to take "the necessary initiatives" to protect Community interests on the world market, though he did not specify what he meant.

A spokesman for the US said last night that higher subsidies were justified by higher freight costs for US exporters, the softening of EC wheat prices in recent months (as a result of oversupply in France), and quality differences between the US grain and competing wheat.

Swedish bank union rejects new offer

By Robert Taylor in Stockholm

THE leaders of Sweden's banking union yesterday rejected a 12 per cent pay offer from an independent mediator brought in to resolve the dispute which has seen 50,000 bank employees locked out for two weeks.

The dispute is adding to the sense of crisis in the country and an early general election appears to be looming, as the minority Social Democratic Government faces the prospect of defeat in Parliament next week on its wage and price freeze package, which includes a ban on strikes for two years.

The small, divided Green Party is the only opposition grouping which might be willing to back the Government, but the cost of its support in Parliament may be too much for the ruling Social Democrats to swallow.

A leading Green, Mr Birger Schlaug, said yesterday that his party would want not only tighter measures on the environment, but an acceptance of the right to strike, and no wage freeze for low earners.

Stoppages could spread, with local government manual workers pursuing a 12.5 per cent pay claim, while workers in other sectors may take unofficial action.

NEWS IN BRIEF

Oil begins to wash up on California beaches

GLOBS of black crude oil began to wash onto the beaches on the coast of Southern California yesterday, despite extensive efforts to contain a 300,000-gallon tanker spill which occurred on Wednesday afternoon, Louise Kehoe reports.

The American Trader, a vessel leased by British Petroleum, apparently had its hull gashed by an anchor.

Officials said the oil slick was too large to encircle with a boom, so clean-up efforts have focused on skimming the oil out of the water. The Coast Guard is also seeking permission from the Environmental Protection Agency to use chemical dispersants.

Namibia constitution approved

Namibia's future rulers approved a constitution yesterday, removing the last big obstacle to independence from South Africa on March 21, Reuter reports from Windhoek.

The unanimous vote by a constituent assembly stipulated a multi-party republic with a bill of fundamental human rights, an independent judiciary and an executive president who may serve a maximum of two five-year terms.

The assembly will meet again on March 20 to elect a president, a post almost certain to go to Mr Sam Nujoma, leader of the South West Africa People's Organisation.

Record W German trade surplus

West Germany achieved a record trade surplus of DM134.7bn (£48m) last year, but economists expect a marked decline in 1990, possibly to around DM100bn, as import demand strengthens at the expense of exports, Andrew Fisher reports.

West German exports have been driven along mainly by surging demand from the rest of Western Europe as industries re-equip themselves ahead of the post-1992 internal EC market. Germany's surplus with other EC countries rose by 17 per cent DM94bn, while that with the US halved to DM8.4bn.

Hungary's ties with Rome

Hungary yesterday became the second East European nation to re-establish diplomatic relations with the Vatican, over 40 years after they were broken off by the Soviet administration of the country, writes Nicholas Denton in Budapest. The accord reflects the Vatican's "small steps" diplomacy and the gradual rapprochement of the Hungarian state and the Catholic Church.

Malaysian strike deal

The Malaysian Agricultural Producers' Association, a grouping of estate owners, has agreed to demands from 65,000 plantation workers for a monthly wage, acting Labour Minister, Mr Lee Kim, said yesterday, Reuter reports from Kuala Lumpur.

The workers, at present paid on a daily basis, had gone on strike on January 31. Two days later they were ordered by the Government to call off the strike when Mr Lee referred the dispute to the Industrial Court.

Temple victory for Singh

Indian Prime Minister, Mr V.P. Singh, scored a significant political victory yesterday when he persuaded Hindu fundamentalists to postpone for at least four months their plans to begin construction next week of a new temple at Ayodyha in northern India on land disputed with Moslems, writes David Housego in New Delhi.

The Vishwa Hindu Parishad (VHP), the Hindu movement which has campaigned for six years to build the temple on a site now occupied by a 16th-century mosque, yesterday said it was postponing construction.

Eritrean rebels attack

Eritrean rebels have launched a strong offensive against the beleaguered Ethiopian army, cutting the vital lifeline road between Asmara and the port of Massawa, and threatening the emergency famine operation in the drought-ravaged north, writes Julian Ozanne.

Sense of duty softens East German anger

Leslie Colitt finds a new mood in East Berlin three months after the Wall crumbled

A SOFT-spoken East Berlin office worker in her 40s, Ms Kerstin Roscher, is one of the dwindling number of East Germans who do not wave flags for German unity. Not because she misses the old régime – she used to criticise its waste and hypocrisy when it was less politic to do so – but because she senses that her life, not uncomfortable as it is, is never going to be the same again.

When Kerstin's 25-year-old son Manfred called last November 10 in the early morning hours, to say that he and tens of thousands of other East Berliners had charged through the Wall into West Berlin, she broke down and wept. But unlike her colleagues, who surged over to West Berlin first thing in the morning to pick up their DM100 (£35) "welcome money", she waited until after work to savour her new freedom after 28 years behind the Wall.

Today, three months later, she and other East Berliners take for granted their weekly stroll on West Berlin's Ku'damm and grumble about the delays at the border caused by guards still stamping passports. The Easterners have adjusted to the new normality as effortlessly as they did to the previous perversity of a divided city.

Still, old totalitarian habits in the East die hard. Her department supervisor still frowns on employees receiving telephone calls from the West. But what most angered Kerstin, and other East Germans, was to see former party and State Security officials receiving "compensatory" payments at their new jobs.

She disapproved, though, of the personal abuse and threats aimed at former officials and their families by revenge-seeking mobs. "We were all part of the system and played a supporting role by tolerating it."

Recently, one of Manfred's former colleagues at work, who escaped to West Germany via Hungary last summer, visited his old electronics company in East Berlin. He drove up in a big new Opel and announced that he earned DM2,500 a month as a toolmaker in southern Germany, more than twice the income of the Easterners. Manfred and the others began to wonder what they were still doing in East Germany while 2,000 citizens a day joined the trek to the West.

Even Kerstin, who has a comfortable three-room flat near Alexanderplatz, and pays the equivalent of £40 a month, said she was tempted by the abundance of consumer goods. But she felt strong ties to the German Democratic Republic – although not to the political system – and to many of its lesser-known social benefits. Even office life had its charms.

Kerstin and her colleagues are under-paid, under-supervised employees who always have time for a leisurely chat. The department head never dreamt of criticising them for calling in ill when they were needed by their families or were out shopping for scarce items on office time. This was solidarity – everyone covered up for everyone else. And she would miss it.

Mr Werner Giese works as a receptionist at the nearby temporary headquarters of the new Social Democratic Party (SPD), a vast building which was the Third Reich's Propaganda Ministry headed by Joseph Goebbels.

Mr Giese, who is in his early 60s, grumbles about the "slovenly" appearance of some of the young SPD supporters. What right did these upstarts have to call for his Socialist Unity (Communist) Party (SED) to be dissolved? Was this democracy? The SED had "democratic roots" in the GDR, although in recent years the leadership had committed inexcusable mistakes, Mr Giese admitted.

It was an insult to claim that the elections last May were a fraud. But he is now beginning to wonder if the Party can win in next month's elections. It looked as if "opportunists" were resigning at such a fast rate that the party had shrunk to a core membership of 1.2m "comrades".

Wasn't it closer to 900,000 now? I asked. "One million," he corrected me. "But don't forget that their families also vote SED."

Mr Gregor Gysi, the chairman of the SED, barely looked up from a mountain of paperwork when I walked into his office in the cavernous former central committee building.

The overall situation was extremely "complicated", he noted, invoking the time-honoured Communist code-word for hopeless.

A divorcé who lives with his youngest son, a car mechanic, in a three-room flat in the working-class borough of Lichtenberg, he said things were rather chaotic at home while he worked day and night trying to keep the party alive.

The "democratic renewal" which he promised last December was proving very difficult, and it now boiled down to the sheer survival of the party.

He was mentally preparing to enter the opposition. "An opposition role has great advantages," he said softly. His optimism of only a few months ago that the GDR could maintain a separate identity had given way to warnings that what was needed was a Europeanised Germany and not a "Germanised Europe".

But what was a Jewish lawyer doing inside this neo-Stalinist fortress, built for the former Reichsbank, and resembling Hitler's Reichs Chancellery?

The Gysi family, which originally came from Switzerland, had "deep Social Democratic roots", he explained. His father Klaus, however, joined the Communist Party in 1931 to help stem the rising Nazi tide.

Had his son perhaps been chosen to help democratise the SED because of his Jewish origins? Most of the delegates who chose him at the Party Congress last December did not even know of his Jewish background, he suggested.

But since his personality played a role, and it was influenced by his Jewishness, he agreed that this indirectly led to him being chosen party chairman. Still, Mr Gysi can conceive of life without the party.

Smiling, he recalled that at secondary school he was apprenticed on a farm as a cattle breeder. It was here in the Prussian heartland that Pflichtbewüsstsein (a sense of duty) was instilled in him. "On a farm you can't say that you won't milk the cows just because it is Sunday," he remarked with a grin.

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Khamenei renews Rushdie threat

By Our Foreign Staff

THE controversy over British author, Salman Rushdie, received fresh impetus yesterday when a senior Iranian leader reaffirmed the "death sentence" passed on him by Ayatollah Khomeini a year ago next Wednesday.

Ayatollah Ali Khamenei, one of the two clerics who have been in charge in Iran since Khomeini's death last June, declared at Friday prayers in Tehran: "Imam Khomeini's decree about the author of the blasphemous book *The Satanic Verses* remains in force and must be implemented."

Khomeini's call to assassinate Mr Rushdie last February was prompted by the novel, widely denounced by Moslems for what they consider offensive references to their religion. The author has since been in hiding.

Ayatollah Khamenei's remarks seemed likely to cause fresh protests in the West at a time of some tension over US warnings of a possible terrorist attack by the pro-Iranian Hizbollah (Party of God) to coincide with the 11th anniversary tomorrow of the Iranian revolution. On Thursday, the US State Department said it was concerned about a possible terrorist attack against US interests in Western Europe.

Mrs Margaret Thatcher, the British Prime Minister, responded to yesterday's Tehran sermon by saying: "The Prime Minister condemns threats of this nature and regrets such threats are made."

● Mr Rushdie is understood to have told friends that he hoped his recent efforts to defend *The Satanic Verses* on literary grounds may have helped dampen the hostility towards the book among Moslems.

Last Sunday the Independent on Sunday published a 7,000-word essay by Mr Rushdie in which he called on Moslems to reconsider the book calmly.

On Wednesday of this week, a similar theme was taken up during a lecture written by the author but delivered by playwright Mr Harold Pinter.

Mr Rushdie is believed to have been prepared to deliver the lecture himself but was advised not to by police.

Trading surges raise questions on Japanese stock markets

By Robert Thomson in Tokyo

AFTER just 18 minutes of trading on the Osaka Securities Exchange on Thursday, shares in Ohtori Corporation, a textile processor and real estate developer, reached their one-day allowable gain of Y105 (40p), while volume for the day was 1.469m, around 35 times its daily average last month.

When the market closed for the day, Orient Corporation, the leading Japanese consumer credit company, announced that the two companies had reached agreement that it would buy 15m shares in Ohtori, bringing its stake in the company to 51 per cent.

On the record, officials at the exchange, the world's second largest, say there appears to be nothing unusual about the day's trading. Off the record, one official laughed when the name Ohtori was mentioned, and the sudden trading surge again raises the question of the credibility of Japanese stock markets.

Japanese newspapers have reported that an OSE insider trading investigation may be conducted into the dramatic Ohtori price and volume movements, but the man overseeing investigations, Mr Yoshihiro Miyazaki, the chief of share trading management, said his first impression is that the interest in Ohtori could have been seasonal.

Trading in the stock became heavy earlier in the week, and Mr Miyazaki said that the volume increase from Wednesday to Thursday was only seven times, and "a seven times increase in ordinary trading is quite possible, so I can't say this is unusual and I didn't link this movement with insider trading."

But an official at the Tokyo Stock Exchange, which, like the OSE, has no record of a proven case of insider trading, said that the exchange is always monitoring price and volume fluctuations, and "generally speaking, if the volume jumps by seven times, this is cause for suspicion."

Executives of Orient and Ohtori have denied leaking information, and say that every possible effort was made to keep the information in-house, while a broker who handled a prodigious volume of the shares reportedly put the interest down to "individuals apparently encouraged by the good business performance of the company's real estate development operations."

It is true that sudden leaps in volume and price just before important announcements are not necessarily unusual in Japan.

For example, Konami Industry, a computer software maker, experienced a 29 per cent rise in its share price over six trading days just before an announcement on January 16 of a 50 per cent free scrip issue.

Nissan Nohrin Kogyo, a plywood maker, explained that a jump in volume from a daily average of 61,500 a month earlier to 1.86m shares three days before a new share allocation announcement in November, was "cyclical".

The company receiving the allocation also experienced a sharp increase in volume and price.

The day before FSK, the country's largest maker of adhesive tapes, announced a merger on September 8, the company's share price rose from Y2,260 to Y2,490, while volume that day was 1,199,000 shares, about 17 times the daily average volume of the same week a month earlier.

A few days earlier, executives at Taiyo Kobe Bank, which had just announced a merger with Mitsui Bank to form the world's second-largest bank, denied reports of insider trading.

Taiyo Kobe explained that a dramatic surge in buying followed branch managers' advice to customers to buy shares to broaden the capital base, and a TSE investigation has found no wrong-doing.

Mr Miyazaki at the OSE, referring to Ohtori trading, said that "there was a case before that a big announcement was coincidentally made at a time of big volume".

"We do our utmost to prove insider trading. We are always telling securities houses that they must be careful.

"We do many different kinds of investigations," he said.

Nakasone appeals to the heart and not the head

The veteran of summits now has to be polite to his humblest constituent, Stefan Wagstyl reports


JAPANESE ELECTIONS

MR YASUHIRO Nakasone, the former Japanese Prime Minister, bows low to the owner of a roadside noodle shop and goes inside for a cup of tea.

The proud veteran of summit meetings with Mr Ronald Reagan and Mr Mikhail Gorbachev knows he must be polite to his humblest constituent if he is to make sure of retaining his seat in the forthcoming Japanese general election.

At the age of 71, Mr Nakasone should have been able to rely on his supporters to deliver the votes as they have done 16 times since 1947. But the Recruit financial scandal has so damaged Mr Nakasone that even in his home territory of Gumma, north of Tokyo, he cannot afford to take anything for granted.

Standing in muddy snow in front of the noodle shop, he tells a crowd of a dozen people: "I need your support. This is my most difficult election in 40 years as a politician."

Then he climbs wearily into the campaign van and goes on to the next village, the next stop, the next gathering of voters.

Opinion polls suggest he should scrape home in last place in the four-seat constituency when the vote is held on February 18. But the margin is too close for comfort: complacency would cost Mr Nakasone his seat. Asked if he is going to win, Mr Nakasone answers: "Only God knows." The public prosecutor investigating the Recruit affair, which occurred during Mr Nakasone's premiership, found no evidence against him.

But he has been unable to rebut allegations of corruption levelled by newspapers. Pressure from the elders of the ruling Liberal Democratic Party forced him to quit the LDP and become an independent.

Recruit has also cast a long shadow over Mr Nakasone's plans to bequeath his constituency one day to his son, Hirobumi, who last year won a seat for Gumma in the upper house of the Diet (Parliament), but would gladly exchange it for one in the more powerful lower house.

To compound Mr Nakasone's humiliation, his great Gumma rival, Mr Takeo Fukuda, another former Prime Minister, has just retired at the age of 84 and passed his seat on to his son.

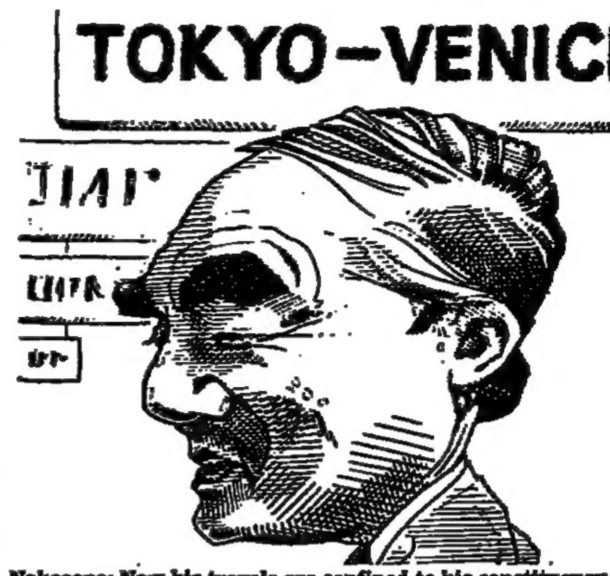
The fact that Mr Nakasone has a chance of recovering lost ground in this month's election highlights how much Japanese politicians rely on personal loyalty. Outside the big cities, people tend to vote for a candidate, not for a party. What matters most is the candidate's standing in the district – not his reputation in Tokyo.

A promise to build a new school is more important than a promise on electoral reform. Thus Mr Kakuei Tanaka, who is retiring, never had difficulties holding on to his Niigata constituency even after his conviction in the Lockheed affair.

Ironically, Mr Nakasone in the past paid little attention to this side of politics. People in Gumma compare him unfavourably with Mr Fukuda senior who never lost the common touch and consistently beat Mr Nakasone in the polls.

Mr Nakasone is trying to make up for lost time. Since last summer, he has been touring Gumma, visiting homes, attending meetings, and going to weddings, funerals and parties.

He has taken to bowing so low that he is almost horizontal when he greets people – locals joke Mr Nakasone is so eager to please he behaves like a first-time candidate. Mr Nakasone cannot bring himself to apologise directly for Recruit – to do so would sound too much like an admission – but he starts each speech with the words: "I'm very sorry for causing you so much trouble."



Nakasone: Now his travels are confined to his constituency

He tries to appeal to voters through their hearts, not their minds. He makes constant reference to his 40 years' service for Gumma. He did not shrink from talking about the death of his sister, whose funeral was held at the first day of the campaign.

Mr Nakasone told voters that his dead sister's wish was that they should support him.

Mr Nakasone is not short of campaign funds. He has 50 full-time staff and hundreds of part-time helpers, who organise meetings, take calls and serve endless tea to visitors to his headquarters.

Bottles of sake to reward hard-working campaigners stand along the office walls. Banners from support groups hang from the ceiling. Outside stands a fleet of 20 white Toyotas complete with drivers.

Mr Nakasone faces some of the toughest political opponents in Japan. One of the district's seats has generally gone to the opposition Japan Socialist Party, represented by its general secretary, Mr Tsuruo Yamaguchi.

LDP candidates have to fight bitterly over the other three. Lately, the winners have been Mr Fukuda senior, Mr Keizo Obuchi, a former Chief Cabinet Secretary, and Mr Nakasone. There are no free votes in this company.

To make matters worse, Recruit has brought a renegade into the fray – Mr Kunio Sato, a former LDP official, who is standing as an independent campaigning for clean politics in a thinly-veiled attack on Mr Nakasone. Mr Sato stands little chance of winning, but he could take enough votes from Mr Nakasone to let in another new candidate – Mr Kenichi Shiraishi, who represents Rengo, a popular trade union confederation. Mr Shiraishi has no qualms about condemning Mr Nakasone as "the shame of the Gumma people".

In public, Mr Nakasone puts on a brave face. But the pressure of the campaign is getting to him. Reporters of Asahi Shimbun, the newspaper which has done most to discredit him, are banned from his headquarters.

One of Mr Nakasone's relatives, helping with the campaign, says: "He keeps quiet about his feelings. But he feels what we all feel."

US producer prices show sharpest monthly rise

By Anthony Harris in Washington

A RISE in energy and food prices following the December cold snap caused a 1.8 per cent increase in US producer prices in January – the sharpest one-month rise since records were kept. But rises in prices other than foods and energy were little changed, with an increase of only 0.1 per cent in the month. The financial markets read this as a sign underlying inflationary pressures are easing, and bond prices rose over half a point on the announcement.

The index is expected to fall sharply in February, since energy prices – especially fuel oil – have rolled back with abnormally warm weather this month. Despite the one-month jump – far steeper than the 1.2 per cent analysts had expected – year-on-year wholesale inflation, at 5.8 per cent, was below the peaks seen in May and June, when the 12-month rise exceeded 6 per cent.

The underlying rate, once seasonal abnormalities have worked themselves out, is now thought to be about in line with the retail inflation rate of 4.6 per cent. Raw material prices have been rising at much the same rate, so there is little sign at present of any sharp fall of inflation in the next few months, despite softer market conditions resulting from the Federal Reserve's cautious monetary policy.

The Fed is expected to maintain tight conditions, despite – or, according to some observers, partly because of – increasing public pressures from the Bush Administration

Bolivian drug lab destroyed

BOLIVIAN and US anti-drug forces have destroyed what they claim was Bolivia's largest cocaine processing laboratory, John Barham reports from Cochabamba, Bolivia. The laboratory housed about 35 men, all of whom escaped.

"There was a clear Colombian connection because it was financed and managed by Colombians," a US official said.

ANC criticised over response to de Klerk

THE PROSPECT of Mr Nelson Mandela's imminent release yesterday provoked further signs of disarray within the anti-apartheid movement in South Africa, which appears to have been caught off-guard by the scope of recent political reforms, Patti Waldmeir and Michael Holman report from Cape Town.

The left-wing Weekly Mail newspaper yesterday criticised the African National Congress (ANC) for its slow response to reforms announced last Friday, which included unbanning the organisation.

The paper's editors urged the ANC to "grab the initiative" from Mr F.W. de Klerk, the President, who has earned wide international acclaim for his liberalising measures.

The ANC should respond to its unbanning by sending exiles home "or it will have a lot of explaining to do... It will have to tell the international community why it is not responding to de Klerk's positive moves," the Weekly Mail warned.

The United Democratic Front (UDF), one of the largest internal opposition groups, outlined its response to the reforms yesterday, presenting a statement on the issue to Mr Mandela during a meeting at his prison bungalow near the Cape town of Paarl.

The statement welcomed Pretoria's decision last Friday to unban the ANC. But it described the reform package announced by Mr de Klerk as an effort to "demobilise the masses".

Mr de Klerk said last Friday's measures – which included release of some political prisoners and an end to restrictions on individuals and organisations – were aimed at normalising political activity in South Africa.

But the UDF yesterday condemned the moves as an effort to "channel (political activity) into a single track of legality, obviously a move intended to flush out the underground with possibly dangerous repercussions, especially for MK (the ANC's military wing)."

The statement reflects growing concern among some factions within the anti-apartheid movement that Mr Mandela may be willing to preside over a gradual transition to black rule, rather than the more radical path advocated by UDF leaders.

The UDF also ruled out any prospect of unity with the Zulu Inkatha movement.

Chief Buthelezi yesterday repeated his initial welcome for the reforms, saying he was ready to negotiate with Mr de Klerk.

"Politically speaking, Mr de Klerk has burnt his bridges behind him and there is for him no retreat," Chief Buthelezi said.

Bougainville secessionist war worsens

THE civil war being waged by secessionist rebels on the Papua New Guinea island of Bougainville has turned into Australia's most immediate and serious diplomatic and military problem, Chris Sherwell reports from Sydney.

Yesterday, Canberra was forced to deal with reports that Australian and New Zealand mercenaries were flying Australian helicopters as gunships against the rebels. It is keeping its air force on stand-by to evacuate Australian and New Zealand residents who have ignored ministerial appeals to leave the island.

An appeal from Papua New Guinea for more aid is prompting suggestions that existing Australian assistance, at around A$300m (£134m) a year, is misplaced and misused. Mr Gareth Evans, Australia's Foreign Minister, yesterday confirmed that Papua New Guinea troops had fired from Australian-supplied Iroquois helicopters in a clash north of Arawa, the Bougainville capital.

The clash, said to have left up to 20 rebels dead, was the worst since the current troubles flared in November 1988. An estimated 100 people have now died.

Canberra supplied four Iroquois helicopters to Papua New Guinea's armed forces last July, on condition guns were not fixed to them. But it was recognised soldiers on board could use their weapons if attacked. It was acknowledged that Papua New Guinea, with no pilots of its own, would have to use outsiders.

Australia's response reflects its fears of being sucked into a neighbour's internal conflict. Papua New Guinea has confronted secessionism on Bougainville before, but the latest flare-up is the most potent yet.

White House seeks to embrace Fed

But strong differences have been underlined, Peter Riddell writes

THE Bush Administration has decided the best way of publicly influencing the Federal Reserve is by embracing it – assuming they share the same goals, in the hope of nudging it in the desired direction. Yet important differences of objective have been underlined over the past few days.

In his introduction to Tuesday's Economic Report of the President, Mr Bush said he strongly supports "the Federal Reserve's goal of non-inflationary growth, and shares with them the conviction inflation must be controlled and reduced in a predictable fashion".

So keen are both sides to avoid the appearance of open conflict that when two weeks ago Mr Marlin Fitzwater, White House press secretary, breached the usual Administration silence and urged lower interest rates, Mr Alan Greenspan, Fed chairman, denied any pressure. In a remark which caused much amusement to his Congressional audience, Mr Greenspan said the White House was merely suggesting lower interest rates were preferable to higher rates.

The real position is less bland, but equally it is less bloody than headlines about "splits" and "rows" suggests. Mr Greenspan is on much better terms with key economic officials than his predecessor, Mr Paul Volcker, was in the early 1980s.

Mr Nicholas Brady, Treasury Secretary, recently explained that his weekly meetings with Mr Greenspan were "vigorous and very often include differences of point of view".

Whatever the short-term disputes about the timing and extent of interest rate changes, the key difference, as explained by Mr Brady, is that the administration "probably has a bias towards growth, greater than that of the Fed. At the same time, we keep a weather eye on inflation, and I think the reverse is probably true of the Fed".

The contrasting priorities have been brought out by the reactions to the proposal by Democratic Congressman Stephen Neal to give the Fed the formal goal of eliminating inflation in five years. This aim has been endorsed by Mr Greenspan and by the presidents of regional Fed banks, though they have varying views over the size of the transitional costs in terms of lost output and jobs.

The Administration disagrees with the idea of a fixed timetable independent of the state of the economy, which, it believes, is too inflexible. Mr Michael Boskin, chairman of the council of economic advisers, stresses instead the need to sustain long-term credibility for policies.

The Economic Report warns of the danger that announcement of an intention to lower the inflation rate over a specific period might not be viewed as credible, so prices and wages would rise as before but restrictive policies would push up unemployment.

Significantly, the report says the main aim of Administration policy is to achieve "the highest possible rate of economic growth", with containment and gradual reduction of inflation stated as a secondary goal. Mr Boskin fairly points out the US expansion has been sustained for eight years without a significant acceleration of inflation.

At present, for instance, the Administration is forecasting, without too much concern, that the inflation rate will remain around 4 per cent for the next three years, a level thought unsatisfactorily high by most Fed policymakers.

In practical terms, this means that, while the Fed will seek to lower the inflation rate further, the Administration is more concerned about getting the growth rate back up to 3 per cent a year, as long as inflation does not rise to 5 per cent or more, and preferably edges down a little.

The debate comes down to a familiar choice between being willing to accept an inflation rate of, say, around 4 per cent as the price of sustained growth, and fears that such a rate remains economically damaging and could reaccelerate.

GEC is given go-ahead to buy Ferranti offshoot

By Hugo Dixon

BRITAIN'S General Electric Company was yesterday given the go-ahead by the Government to acquire the radar business of Ferranti International, the troubled defence and electronics group, in spite of concerns that the merger would reduce competition in the defence electronics market.

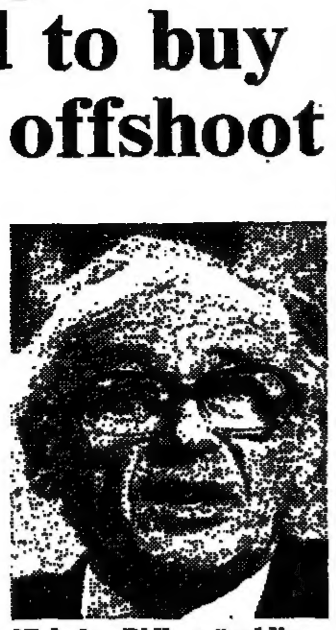
Mr Nicholas Ridley, the Secretary of State for Trade and Industry, decided not to refer the £310m acquisition to the Monopolies and Mergers Commission because competition concerns were outweighed by considerations of public interest. The decision was expected.

The Department of Trade and Industry said in a statement yesterday that, in accordance with advice from Sir Gordon Borrie, the Director-General of Fair Trading, Mr Ridley "has concluded that, on this occasion, the public interest would be better served by not referring the merger to the MMC."

Sir Gordon's advice is understood to have been heavily influenced by representations from the Ministry of Defence, which is Ferranti's principal customer, that the merger should be allowed to proceed.

The MoD was concerned that Ferranti might lose an important contract to supply radar for the European Fighter Aircraft if the merger were delayed. In the past, the MoD has tried to prevent GEC from acquiring more defence businesses on competitive grounds.

Ferranti was forced to sell the radar division, which was the heart of its business, after Britain's partners in the EFA project voiced concern that its finances would not have allowed it to shoulder the cost of developing the radar after a hole appeared in its balance sheet. That followed the discovery of an alleged £215m fraud at the group's International Signal and Control subsidiary.



Nicholas Ridley: "public interest" proved decisive

Separately, Ferranti disclosed yesterday that the disposal of its radar business and its Italian businesses would boost net assets by about £200m.

In a letter to shareholders, Ferranti said net assets at the end of March 1989 would have been £395.9m if the disposals had been in effect then, instead of the £194.4m reported.

Overseas banks win High Court tax case

By Raymond Hughes, Law Courts Correspondent

BANCO DO BRASIL, Brazil's largest bank, and the West German Commerzbank have won a High Court dispute with the Inland Revenue over their claims for double taxation relief.

As a result, Commerzbank is entitled – subject to any Revenue appeal – to repayment of about £4.3m UK corporation tax and Banco do Brasil to about £2.85m.

The dispute concerned interest payments received by the banks' London branches on loans made to US corporations between 1973 and 1976.

The Revenue's refusal to grant the banks relief from UK corporation tax on the interest was overruled by tax commissioners, who held that the banks were exempt under the 1945 UK-US double taxation convention.

In the High Court yesterday Mr Justice Mummery dismissed the Revenue's appeal against that ruling.

He said the interest was liable to US tax and also to UK corporation tax – subject in each case to the convention. Each bank had claimed exemption from UK tax.

Article XV of the convention provided that dividends and interest paid by a US corporation were exempt from UK tax except where the recipient was a UK citizen, resident or corporation.

The dispute concerned was over whether the exemption applied if the recipient of the interest was the London branch of a corporation, such as a bank, which had been created or organised under the laws of a country other than the US or the UK – such as the Federal Republic of Germany or Brazil.

The judge said the wording of Article XV was clear. It exempted from UK tax all interest paid by US corporations, except where the recipient was a UK citizen, resident or corporation, which Banco do Brasil and Commerzbank were not.

In effect, the judge said, the Revenue was seeking to expand the exception so that recipients other than those expressly mentioned in the article were not entitled to the exemption.

He said that any surprise that it could be held that a German or Brazilian bank could claim exemption under a UK-US convention was substantially lessened by the fact that the exemption in question was a limited one, applying only to dividends and interest that had a source in either the UK or the US.

Although neither bank was a UK or US corporation, elements connected to the UK and US were present in both cases: the interest was paid by US corporations and the recipient in each case was the London branch of the bank in the UK, the judge said.

The 1945 double taxation convention has been replaced by a new convention which took effect from 1976, from which the Article XV exemption has been removed.

EC to check allegation of Toyota site subsidy

By Lucy Kellaway in Brussels and Richard Tomkins in Birmingham

THE EUROPEAN Commission said yesterday it was looking into allegations that the £700m car plant being built in Derbyshire by Toyota, the Japanese car company, had received a hidden subsidy.

The allegations have been distributed widely to the commission, the media and other parties in an anonymous letter claiming that Toyota was getting the land for the plant at a price far below its market value.

The letter says Derbyshire County Council is proposing to sell the 580-acre site for the plant for £18.3m. It claims that the true market value of the land is between £75m and £100m.

Chartered surveyors yesterday expressed surprise at the value claimed for the land, saying it was based on a false extrapolation of the price a single acre would fetch.

Mr Tony Taylor, industrial partner at chartered surveyors Grimley J. R. Eve, said: "A major discount to allow for the sheer size, period of development, interest charges and so on would be necessary to achieve any sale. I am not surprised at the sale figure of £18.3m quoted."

The Department of Trade and Industry said it been kept fully informed of the details of the transaction and was "perfectly satisifed" with the land valuation. It added: "As far as we know, the European Commission is perfectly satisfied, too."

Councillor David Bookbinder, Labour leader of Derbyshire County Council, said the allegations were part of a campaign of disinformation over the deal. "We have absolutely nothing to hide," he said.

In theory, the commission has the power either to stop the deal or to force changes upon it if it finds traces of illegal subsidy.

Forward Trust shake-up will cost 170 jobs

By David Barchard

FORWARD TRUST, the finance house owned by Midland Bank, is to close 13 of its 32 business centres and shed 170 jobs from its workforce of 2,000.

The moves are part of a restructuring of the company, which provides large loans to individuals and small businesses.

It intend to split its different lending activities into six divisions and expand its central operations in Birmingham, where 130 new jobs will be created. That will leave a net loss of 40 jobs.

Motor finance and asset finance are to become separate operations, modelled on two existing divisions, Griffin Factors and Concord Leasing.

Mr Graham Picken, managing director of Forward Trust, said that each division would have the resources and the authority to ensure its own profitability.

Mr Picken said that Forward Trust would try and find alternative jobs for the 170 redundancies, either within the company or elsewhere in the Midland Bank Group.

Labour struggles to exploit poll tax anger

Philip Stephens on the party's attempt to find a practical and popular substitute charge

THE POLL tax, or community charge, may turn out to be one of the Government's most costly political mistakes – if the Labour Party manages to exploit it.

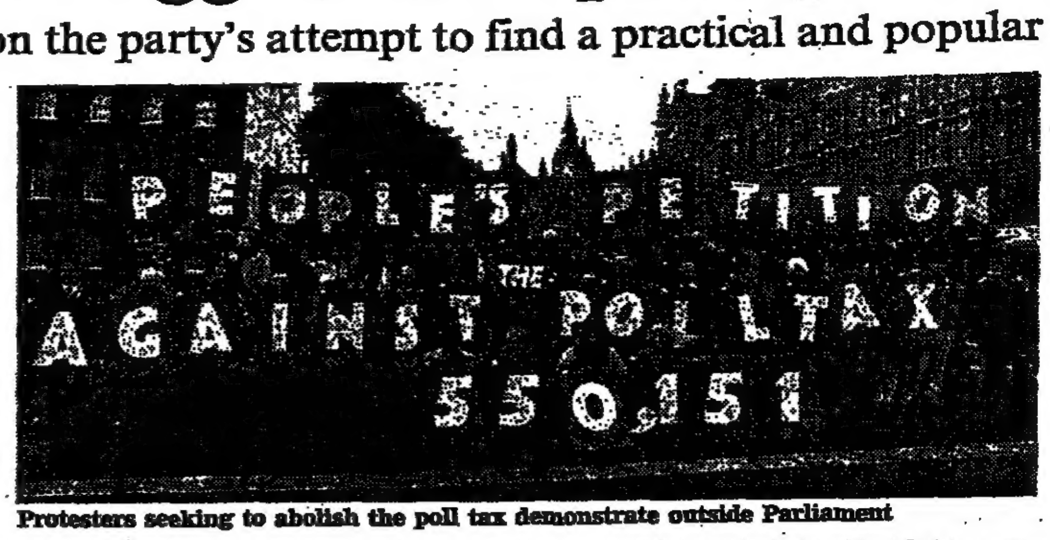
It is not only the dissident or faint-hearted Conservatives at Westminster who await the introduction of the tax in England and Wales on April 1 with a sense of gloomy resignation. It was introduced in Scotland last year.

One firmly loyal member of the Cabinet commented this week that unless another large slice of the Treasury's diminishing budget surplus was handed over to local authorities next year, the poll tax might cost the Government up to 20 seats in the general election due by June 1992.

As Tory shire counties announce plans to set the tax at levels far above those promised by the Department of the Environment, the message from government supporters is that attacks on "loony left" Labour councils are not enough to defuse the issue.

Labour Party strategists, however, realise that the unpopularity of the tax will not of itself guarantee votes for Labour – it has to offer a practical and popular alternative.

So far it has fumbled the chance. It has acknowledged that a Labour Government could not bring back the old rating system, but its first stab at an alternative – a dual local property and income tax system – had to be abandoned as quickly as it was conceived.



Protesters seeking to abolish the poll tax demonstrate outside Parliament

Mr Neil Kinnock, the party leader, realised that the Government's claim that Labour would make voters pay two taxes instead of a single community charge was too potent an attack to risk during a general election campaign.

Yesterday, Mr Bryan Gould, the shadow Environment Secretary, sketched out the principles behind the party's latest scheme. He stuck to generalities, pointing to continuing tension within the shadow Cabinet about how far the party should commit itself at this stage.

However, confidential papers circulated among its key members outline in some detail the system as now proposed.

Assuming that a number of technical details are resolved over the next few months, Mr Gould expects the scheme to be ready for approval at the party conference in the autumn.

What Labour plans is not a pure property tax along the lines of the rates. Instead it is suggesting a local tax linked both to the capital value of property and to incomes which, like the poll tax, would be payable by individuals rather than households.

The papers suggest that it will work as follows, although the figures used are purely illustrative.

The local authority would set a standard rate for the charge of, say, 0.5 per cent, so the owner of a house valued at £100,000 would be liable for an annual charge of £500. But that tax would apply not only to the principal resident but to everyone in the household earning above a set income threshold.

So a husband and wife each earning above, say, £10,000 a year would both pay the £500. Conversely, if either or both incomes fell below the threshold, their liability would be scaled down.

Because the tax would be administered by the Inland Revenue, those not earning enough to be liable for income tax would be similarly exempt from the local tax.

Labour believes that the link both to income and to capital values would answer one of the main criticisms of the old rating system – that a family of perhaps two or three who each had substantial incomes paid the same amount as a neighbour, perhaps a pensioner, with a much smaller income.

Party strategists are also confident that by restricting the tax to those already liable to income tax, they can rebut the charge that Labour would create a vast army of "tax snoopers." No more information would be required from the vast majority of people than already available through the PAYE system.

Mr Gould is confident that the capital value of individual properties can be established by the Inland Revenue under a system subject to periodic reviews as occurred under the rates. It would be an enormous task, but Labour will argue that it would be less bureaucratic and less intrusive than the poll tax.

Mr Gould and his colleagues, however, have yet to resolve a number of difficult issues. Rented accommodation, for example, would have to be assigned a notional capital value – not so easy in inner-city council estates.

What is more politically sensitive, Labour has yet to decide whether scaling down the standard charge for those on low incomes should be mirrored by a scaling-up for people on high incomes.

Until such issues are resolved, the Conservative counter-attack – Mrs Margaret Thatcher has already dubbed Labour's scheme as a "roof tax" – will blunt the electoral advantage Mr Kinnock is convinced that the poll tax should hand him.

Computer hacking bill passes first hurdle

By John Mason

A BILL to outlaw computer hacking and the damaging of computer programmes by "viruses" placed into software received all-party support as it cleared its first hurdle in the Commons yesterday.

The Computer Misuse Bill, based on recommendations by the Law Commission, makes it an offence to attempt to gain unauthorised access to computers, punishable with up to six months' imprisonment or a maximum fine of £2,000.

It also proposes making damaging the contents of a computer's memory an offence, punishable with up to five years in prison.

The backbench bill was introduced by Mr Michael Colvin, the Conservative MP for Romsey and Waterside, who said legislation was needed urgently since hacking was estimated to cost industry between £400m and £2bn a year.

The UK lagged behind other Western countries in introducing laws against computer misuse. Unless that was corrected, Britain might become a "hacker's haven," he said.

The bill was aimed at protecting the integrity of computers rather than the confidentiality of the information stored on them.

Open access to computers was needed if they were to be used to their full potential, and that was hindered by fear of hacking, he said.

Mr Douglas Hogg, an Industry Minister, said the Government fully supported the bill. Apart from the financial losses suffered by companies, hacking could endanger lives if air traffic control systems or hospital records were tampered with.

He said the bill would close gaps in the law. The Malicious Damage Act only covered damage to physical property, not computer-stored data.

Creating the offence of unauthorised access to commit other serious crime would enable a prosecution to be brought when the offender was caught at an early stage of hacking, such as trying to discover a computer password.

But he resisted calls for the police to be given increased powers of search to enable the bill's proposals to be enforced effectively.

This would only be considered if experience showed there was a compelling need for it.

Miss Emma Nicholson, Conservative MP for Devon West and Torridge – widely acknowledged as the first parliamentarian to campaign for new laws on computer abuse – said hacking had increased since open network interconnectors were introduced in 1978.

She said the bill should be extended to cover electronic eavesdropping and the strengthening of the admissibility of computer evidence in court.

Barclays Bank, local authorities and hospitals had been victims of hacking in the UK, while in the USA there had been cases of hospital drug prescriptions being altered in an attempt to kill patients. The bill was given an unopposed second reading.

Consortia picked to tender for Skye link

By James Buxton and Andrew Taylor

THREE consortia have been chosen to tender for the concession to build a privately financed toll bridge between the mainland and the Isle of Skye.

It will be the first private-sector bridge in Scotland and only the second in Britain.

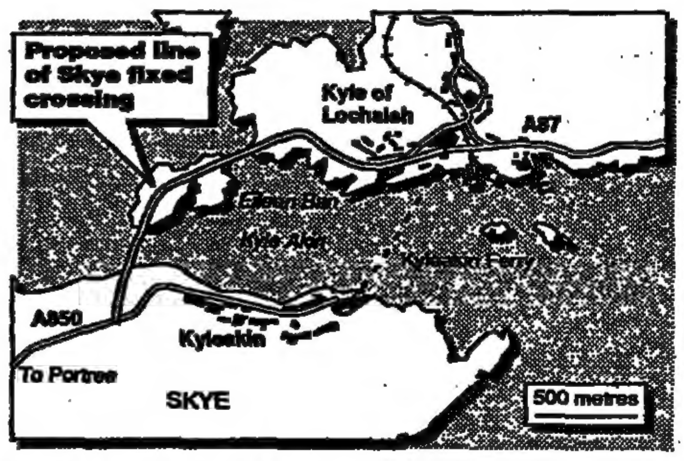
The three consortia are: Miller Construction of Edinburgh, in a joint venture with Dyckerhoff & Widmann of Munich; Morrison Construction of Edinburgh; and Trafalgar House Offshore and Structural.

Trafalgar House, which is currently building a privately financed toll bridge across the River Thames, is among several groups bidding to build a new crossing for the River Severn which is expected to be a privately financed bridge.

Continental companies, keen to break into what they believe will be a growing market for private infrastructure projects in the UK, were also among the bidders for the Severn crossing and for a privately financed high-speed rail link between London and the Channel tunnel.

Trafalgar House and BICC engineering group are to partner British Rail in building the high-speed link, provided the line can be justified financially and gets the backing of Parliament.

Six companies originally bid to build the Skye crossing, which will involve building a 300-metre causeway or bridge between Kyle of Lochalsh, the town on the mainland, and the small island of Eilean Ban, and a 550-metre bridge across the Kyleakin strait to Skye.



The cost of the bridge is now put at about £15m, with an extra £6m from public funds for the approach roads. It should be complete by 1994. The Scottish Office told Highland Regional Council that it could not envisage paying for a bridge out of public funds until well into the next century.

Of the designs put forward by the three consortia, Miller is proposing a box girder bridge, Morrison a cable stay bridge and Trafalgar a steel bridge.

Chance for scientists to bury the hatchet

David Fishlock on the compromise over changes to the running of research councils

THE GOVERNMENT'S acceptance of proposals for streamlining the management of Britain's five research councils has raised hopes that scientific minds will be turned away from internecine competition for a bigger share of the £900m science budget, and refocused on scientific issues.

Sir David Phillips, chairman of the Advisory Board for the Research Councils (ABRC), has proposed that the board be given some executive powers over the councils and that it be smaller – shorn, for example, of all but one of Whitehall's chief scientists.

The Government has agreed and is making Sir David, an Oxford professor of biophysics, the full-time chairman of the slimmer ABRC – whose move away from a purely advisory role may bring a change of name. Its new remit will be "to improve co-ordination and joint working among the research councils," and the Government will announce shortly the names of its members.

The research councils became preoccupied with survival in an era of extensive restructuring during the 1980s, as the Government sought to have research programmes realigned with national economic aspirations.

Lacking any more sensitive management mechanism that the scientists would accept, the Government sought change primarily by withholding funds. That led to friction between research councils as each fought to make its own case to the ABRC for special treatment.

This large, cumbersome body found ways of reaching decisions in the absence of the research council chief executives.

Sometimes research councils weakened their own case – for example, last year the Medical Research Council sought £50m to move its clinical research centre eight miles from Harrow to Hammersmith. The Prime Minister questioned why it needed to move nearer the centre of London. The MRC has been obliged to settle for a cheaper solution in which clinical research will be spread among several hospitals.

Another contentious issue was whether the Agriculture and Food Research Council and the Natural Environment Research Council should merge – a move backed by the former, opposed by the latter.

The two councils had felt the Government's desire for change most keenly. Both had been criticised for research programmes that were out of alignment with national needs – the AFRC for continuing to seek ways of improving farm production while European food mountains grew, and the NERC for programmes that would not help the environment.

RESEARCH COUNCIL BUDGETS (£m)

	1990-91	1989-90	%rise
Agriculture and Food	85.91	74.57	15.2
Economic and Social	36.01	32.02	12.5
Medical	185.71	176.34	5.3
Natural Environment	135.23	123.46	9.5
Science and Engineering	438.62	404.96	8.3

Such contentious issues lay behind last year's report from Dr Dick Morris, chairman of Brown and Root (UK) and the board's deputy chairman, which began as an internal ABRC study to see if there was a better way of managing hard times by realigning the biological activities of the research councils.

Dr Morris and his team concluded that the 23-year-old research council structure was out of date. The committee went well beyond its original brief, in proposing a national research council, with executive powers, and six science divisions, including one specialising in biology and environmental sciences.

Many observers felt that the Morris report's argument were compelling, until the question of how to implement the change was addressed. Dr Morris hoped it could be done by stealth. Whitehall recognised that it would require legislation, and thus at least a two-year delay.

The implication was that that would leave British science in a state of uncertainty until the next election, a situation the Prime Minister was not prepared to countenance.

Another twist was that medical scientists – notably the Nobel prize-winning team of biologists at Cambridge University – vehemently opposed the loss of autonomy implicit in the plan.

The Government's decision is a compromise in which the science budget will be administered by a more authoritative managing body than the present ABRC but less powerful than the National Research Council envisaged by the Morris report. Essentially, it will still be advising the Secretary of State how the science budget should be divided up.

Sir David has told Mr John MacGregor, Secretary of State for Education, that the new ABRC will "go a very long way towards overcoming the co-ordination difficulties which presently arise."

The new board will examine issues such as whether the AFRC and NERC should merge and whether the Science and Engineering Research Council, which takes half the science budget, should be split into "core sciences" – the basic science disciplines – and engineering sciences.

The whole issue of core sciences, which was once the exclusive preserve of the SERC, has become contentious with the rapid rise in importance of the biological sciences. As the Morris report points out, biology pervades four of the five research councils and accounts for 43 per cent of the science budget.

The new management board starts life on April 1, inheriting the latest decision of the outgoing board on how an extra £73m for science in 1990-91 is to be apportioned among the five research councils. NERC is the biggest beneficiary with £30m, followed by SERC with £26.7m.

The MRC budget increases by less than £10m. Although the Government is making no secret of the fact that while "green" issues are the focus of the extra science spending, important research projects in human health and welfare – in neuroscience, for example – are not being funded.

London will host meeting to study global warming

By John Hunt

AN INTERNATIONAL meeting aimed at accelerating progress on developing a convention to combat global climatic warming – the greenhouse effect – is to be hosted by the Government in London in May or early June.

Scientists and civil servants will explore topics such as carbon taxes which could be levied on fossil fuels according to the amount of carbon dioxide they produce. They will consider how to apportion targets between various countries for emissions of carbon dioxide from fossil fuels. Carbon dioxide is the main contributor towards climate warming.

The decision to hold the meeting was brought back from Washington yesterday by British officials who have been attending the Intergovernmental Panel on Climate Change in Washington. The meeting will be under the panel's Energy and Industrial Group, which is chaired by Japan.

The science group of the IPCC, which is chaired by Britain, has reached a consensus that confirms the threat of global warming but says sea level rises might not be as high as originally feared.

The report, to be delivered in the summer, will confirm that a doubling of carbon dioxide could lead to a warming of 2 to 4 degrees centigrade.

Pollution alert considered

By John Hunt, Environment Correspondent

NEW controls over water quality including an "amber warning" system to alert the public to the threat of river pollution are being considered by the National Rivers Authority.

The warning would be issued when any sewage works or industrial plant was approaching the permitted level of discharges into rivers.

The NRA would warn the company that it was in danger of breaching its permit and would bring public pressure to bear for action to be taken.

A system of automatic monitoring is also being considered. Another proposal is for overall quality levels to be set for a stretch of river.

The NRA presented its proposals to a meeting of industrialists and environmental organisations in London yesterday. It is hoped that the final proposals will be presented to Mr Chris Patten, the Environment Secretary, in April and a new scheme implemented by the end of the year.

Student loan scheme will go ahead

THE Department of Education said last night it was "pressing ahead" with the student loan scheme after apparently rejecting an offer from university vice-chancellors to take over the scheme's administration, writes Jimmy Burns.

Yesterday the Committee of Vice Chancellors and Principals proposed that the present system of grants should be scrapped and that grants should be assessed against parental income and take account of regional differences.

The committee wanted taxes on graduates to relate to the monetary benefits that accrued from obtaining a degree and not to the cost of providing it.

Mr John Ashworth, vice-chairman of the committee, said last night he was very concerned that the Government's scheme would undermine universities' ability to recruit pupils with parents in lower income groups.

Broker loses appeal

MR Geoffrey Mason, 43, a West Midlands insurance broker, yesterday lost his appeal against a 3½-year prison sentence imposed for stealing clients' cash. Three Appeal Court judges rejected his claim that the sentence was excessive.

Mr Mason, of Coppice Rise, Quarry Bank, Brierley Hill, a fellow of the Life Assurance Association, admitted seven counts of theft last year.

After obtaining an agency with the Standard Life assurance group in 1983, he was alleged, over a four-year period, to have stolen more than £170,000 from investors and to have issued bogus policy documentation to them.

The broker insisted he had not profited: the cash had gone to other clients. Lord Justice Watkins, sitting with Mr Justice Rose and Mr Justice Pill, heard that Mr Mason had been frank with the police. The broker had been brought down by incompetence and ill-fortune.

Mr Justice Pill said Mr Mason had continued in his dishonesty in spite of a court appearance in March 1988 and conviction for theft.

Sentence reduced

A FIVE-YEAR prison sentence on Ms Alison Anders, 31, an accounts clerk jailed for her part in an attempt to defraud Britoil of £23.3m, was cut to four years in the High Court of Criminal Appeal in Edinburgh yesterday.

At her trial last September she admitted attempting to defraud her employers of £23.3m by transferring a payment to a Swiss bank account by forged documents.

Lord Hope, Scotland's Lord Justice General, said it was proper to recognise the extent to which Ms Anders had co-operated with the authorities after her arrest.

He said her assistance had helped in the conviction of her co-accused, Mr Royston Allen, 36, a company director.

North-east boost

DEMAND for executives by companies in the north-east has risen sharply in the past year, InterExec, a career consultancy, said yesterday.

The demand for executive posts was 43 per cent higher in 1989 than the previous year and 25 per cent higher than the rest of the country.

UK NEWS

Stock Exchange about to propose loss top-up fund

By Richard Waters

THE STOCK Exchange is on the verge of proposing a compensation fund to replace the one it scrapped 18 months ago, when the Financial Services Act's compensation scheme came into force.

The proposed voluntary fund is designed mainly for independent, private-client stockbroking firms that want to offer greater reassurance to their customers than is provided by the FSA scheme, which pays out a maximum of £48,000.

The Stock Exchange's "top-up" fund would cover losses of at least £250,000 above that, taking the total cover to almost £300,000. Payments would be made when stockbrokers covered by the scheme went into default.

Firms that opted to join the fund would carry the Stock Exchange endorsement on their stationery, in the same way as travel agents covered by the travel industry's compensation scheme display the Association of British Travel Agents (Abta) logo. The exchange's earlier fund, set up in 1950, met 5,000 claims, paying out £6.5m in total.

Letters will be sent next week to the 400 stockbroking firms around the country setting out proposals for the scheme. About half are expected eventually to apply.

The fund is the idea of small, independent stockbroking firms, which fear that confidence in them may have waned since the exchange's previous fund – which also provided £250,000 cover – was dissolved. They fear they are likely to suffer in competition with retail brokers such as Barclayshare, whose names bring with them an assurance of financial security.

Also, unlike the mainly institutional broking firms bought out by banks or other large financial groups after the Big Bang in 1986, they lack the backing of a strong parent.

Mr Philip Angel, a member of the exchange's regional committee, said small brokers had come up with the idea because the large firms that dominated the exchange "are not in the same kind of [private client] business" any more. However, he said that the exchange had given full support to the idea and was prepared to endorse the fund.

The Stock Exchange confirmed yesterday that it would write to members next week setting out several options for a new fund.

Mr Andrew Hugh Smith, chairman of the Stock Exchange, suggested nearly a year ago that the exchange might develop a top-up scheme.

The intention is to provide cover only for agency brokers, not market makers. Cover would be higher than £250,000 in cases of misappropriation by a broker – the earlier fund paid out up to £500,000 for that type of loss.

The fund would be backed by insurance for the higher levels of cover. The "excess" which firms would have to meet would be met out of a fund created from contributions by firms in the scheme.

Mrs Thatcher's 'official source' goes on the record

Hazel Duffy explains how the Prime Minister's press secretary has carved a place in the history books

Ashley Ashwood

Bernard Ingham with Mrs Thatcher: stepping into the limelight

MR BERNARD INGHAM, the Prime Minister's press secretary, stepped into the limelight this week to accuse journalists of always looking for conspiracies and to concede that the government information services were not endowed with "papal infallibility."

It was a rare public speech from a man who is often seen by Mrs Thatcher's side, but seldom heard in person – his words are generally conveyed to the public as coming from "Downing Street," "official sources," or even "Whitehall insiders."

Mr Ingham has presided over the press office at 10 Downing Street for 10 years and has been involved in more controversy than any previous holder of the post – drawing fire from Tory backbenchers as well as the Opposition.

For nearly a year he has also been head of the Government Information Service (GIS), a role that has been much less in the public eye. His legacy there may be more significant for the few hundred information officers in Whitehall and the provinces than anything he has done for Mrs Thatcher.

GIS has concerns similar to other parts of the Civil Service. For example, the private sector poaches some of its best people – six chief press officers went last year. Press officers have additional difficulties: they are frequently maligned by the press, looked down on by ministers and other civil servants and kept in the dark about what is going on. Some feel a conflict between the job of informing the public and conforming to the natural desire of ministers that information officers should share their enthusiams for their departments' projects.

There is another divide in hierarchical Whitehall. Some departmental heads of information come from the main body of the Civil Service; in their jargon they are "administrators."

Such people are most likely to return to the mainstream of the Civil Service partly because they can earn more there and achieve higher status – the top grade for information officers in departments is just below that of under-secretaries.

Mr Ingham, a former journalist, is in favour of these exchanges. After his career in journalism, he became an information officer at the Prices and Incomes Board for a short time – "I was told it would make me a better journalist."

He stayed on, working for Mr Tony Benn, now a frequent critic of Mr Ingham, at the Department of Energy. With Mr Benn's encouragement he elevated the status of the job, sometimes getting in on to the first stage of policymaking.

Mr Ingham wants to make the role of information officer more of an acknowledged profession. That means largely recruiting young people without much experience, assessing their potential, training them in communications and management and developing a proper career structure.

Mr Ingham has never shown distress at being the object of criticism in Parliament and the press. The job is "a channel for dissatisfaction for the inevitable tensions between government and the media. I have to act as a lightning conductor to some extent."

Seen by some as a bit of a bully, he simply says "a lot of people need an ogre in their lives, it is a perfectly natural, human requirement." His staff at No 10, treated to a visit to his native Yorkshire last autumn to celebrate Mrs Thatcher's 10 years, are loyal and shrug off the bully image as something got up by the media.

He is equally dismissive of the suggestion that it can be difficult to draw a line between the communication of government policy – the job of the information service – and the justification of that policy, which is the job of the political party.

For example, Mrs Thatcher is faced with continuing pressure on the poll tax - unpopular with the public and even some Tory MPs.

Mr Ingham says: "Frequently, you have to go back to basic routes. What is the real justification for a community charge? A more democratic way of controlling expenditure by local authorities."

As Mrs Thatcher's press secretary, Mr Ingham has carved a place in the history books that not even Joe Haines, who was part of the Harold Wilson team, quite managed. "I do not flatter myself that I am good publicity on my own account, it is for the Prime Minister," says Mr Ingham. "I do not enjoy it because it is a distraction one can do without."

He has been careful not to let a gap open up between the media and the Government, as happened in Wilson's second term. The fact that some newspapers have withdrawn from unattributable lobby briefings has not led to the disintegration of the lobby system.

Once a week, on Monday evenings, he meets the heads of information to plan the news flow from their departments. His critics accuse him of manipulating the news. "How dare they? Newspapers are the biggest manipulators of news," he says, adding that stories in the morning papers might bear little resemblance to the briefing.

However, he does not criticise the media. In 10 years, his objectives have not changed, he says, but the job is livelier, and more international.

From the Civil Service's point of view, perhaps the greatest criticism levelled at Mr Ingham is that he has worked for Mrs Thatcher as though he was a member of her political staff and not an impartial civil servant. Theoretically, he should be able to serve Mr Neil Kinnock, if he should be prime minister.

On that one point, he acknowledges that he could not. "I am a professional. It is for me to represent what the government is doing, but the fact is it would not occur." He points out that no prime minister's press officer has ever gone on to serve a prime minister of a different party.

He will be 60 – the official retiring age for civil servants – in 1992, which is the end of Mrs Thatcher's current five-year term. He already has a part-time honorary appointment lined up at Newcastle University, researching how governments communicate.

What about writing? He replies, perfectly seriously: perhaps "a manual on the Government Information Service."

BR to launch instant fines on two routes

BRITISH RAIL is to introduce on-the-spot fines for non-payment of fares in the summer on two of its lines in the Network SouthEast area of England.

Ticket inspectors will be given power to levy £10 fines on passengers on the Reading-London (Waterloo) line via Staines and the Southend-London (Fenchurch Street) line via Basildon who have incorrect tickets or are travelling without tickets.

The right to levy instant fines was won by BR in a private member's bill which completed its parliamentary stages recently.

BR will install new ticket machines at stations on the two lines before it applies to Mr Cecil Parkinson, Secretary of State for the Transport, for permission to go ahead.

BR said the scheme would be adopted on all trains in Network SouthEast if the experiment worked.

No decision had been made on whether to adopt it on trains throughout Britain.

BR loses an estimated £50m a year through fare-dodging, most of it as a result of uncollected fares on Network SouthEast.

A similar scheme has been operating on the Docklands Light Railway in east London for more than a year and London Transport is seeking permission to run an on-the-spot fines scheme.

Mr Mike Patterson, secretary of the Central Transport Consultative Committee, the government-appointed watchdog, said: "We have consulted extensively with BR about the instructions which will be given to ticket collectors and the wording of signs, and we think they have got it about right."

He added that it was essential for BR to provide adequate facilities for passengers to buy tickets in time to catch trains.

BAe seeks to build gateway airport at Liverpool

By Paul Abrahams

BRITISH Aerospace is negotiating with Liverpool City Council to lease land for the creation of a £1.2bn airport outside the city. The move, a significant change of direction for the company, follows the completion of an 18-month feasibility study.

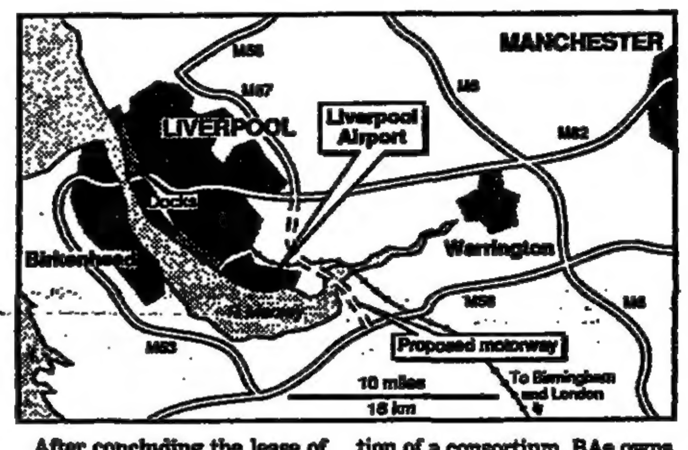
BAe wants to construct an airport capable of handling 40m passengers, or 200,000 flight movements a year, by 2005. It would be purpose-built as a transatlantic gateway to Europe, allowing international passengers to change flights in not more than 50 minutes without passing through immigration and customs.

BAe believes there will be considerable demand for such an airport, with European passenger growth expected to average 6 per cent a year well into the next century.

The company says the main restraint on that growth will be runway, terminal and apron parking capacity. BAe believes that environmental pressures and lack of space for additional runways will eventually limit the growth of Heathrow, Gatwick and Manchester airports. It argues that unless an interlining airport (for changing between airlines as well as between flights) is constructed, such business will be poached by airports at Paris and Brussels.

The company examined other locations in Europe, but rejected them in favour of Liverpool. It says the advantages are:

- A large catchment area.
- A site with at least 4,000 acres of land available, including space for a second runway.
- Approach and take-off over water rather than built-up areas.
- Flight paths to the Continent and US unaffected by air traffic control congestion over the south-east of England.



After concluding the lease of the site, BAe plans to undertake detailed studies on the effect of the airport on the local environment, and then to apply for planning permissions.

It is intended that the project will be funded by the formation of a consortium. BAe owns a construction company, Ballast Nedam; it has recently acquired Arlington Securities, the property development concern, and has its own BAe Consultancy Services, which has experience in airport services, but says it will be looking for partners within 18 months.

The development will include a second runway, new terminal facilities, a high-speed rail link, motorway connections and the extension of the present runway by about 2,700 ft.

BAe believes that if the planning applications pass smoothly, construction could start within two years.

The second runway, which would be built on reclaimed land, could be open by 1998.

- Inter European Airways, a wholly owned subsidiary of Aspro Holidays, a travel agent based in Cardiff, will take delivery of a Boeing 757 next week, writes **Anthony Moreton, Welsh Correspondent.**

It has leased the 757 from the Australian airline, Ansett, and hopes to move into the long-haul holiday business. Inter European is also seeking to develop scheduled flights.

Teletext advert dispute ends in Oracle's favour

By Raymond Snoddy

THE OFFICE of Fair Trading yesterday rejected a complaint that Oracle Teletext was behaving anti-competitively in its placing of advertisements from McCallum Televox on its teletext service.

McCallum Televox provides a new type of teletext service allowing viewers to use their telephone to call up a wide range of services on their screen.

The company accused Oracle, the teletext provider on ITV and Channel 4, of placing its advertisements in unfavourable locations and charging more than for other comparable customers.

The OFT found some variation in prices charged to advertise on Oracle but not enough to restrict Televox's ability to compete in the market.

EMPLOYMENT

Ambulance unions focus campaign on by-election

By Diane Summers, Labour Staff

AMBULANCE unions yesterday decided to use a forthcoming parliamentary by-election to stage a "referendum" on their dispute, now in its 21st week. Conservative MPs in all constituencies, in addition, are to be lobbied and plans will be drawn up for public protest to follow on from the recent 15-minute demonstration of "people power."

Mr Roger Poole, chief trade union negotiator, announced the by-election plan yesterday, following a meeting in London of union negotiators. The parliamentary by-election in Mid Staffordshire was made necessary by the death before Christmas of Mr John Heddle. The date has yet to be set.

"We intend to turn that by-election into a referendum on this dispute. The people of Staffordshire will have an opportunity to make it very clear to the Government what their view is," Mr Poole said yesterday. The unions would be contacting all candidates to establish their position on the dispute, he said.

Roger Poole: 'by-election will become a referendum'

Voters would be asked only to back candidates who supported ambulance workers. "If there is not a candidate who supports Britain's ambulance staff that they feel able to support, then we will ask them to make their protest by abstaining," said Mr Poole. He added that the by-election gave people in the Mid Staffordshire constituency a "unique opportunity to help bring this dispute to an end."

Mr Poole also announced that, for the first time since the dispute began, a meeting would be held of around 150 shop stewards to ensure that "industrial strategy is applied equally throughout the country." The meeting will be held in London on Wednesday. There is growing concern about the unevenness of action.

Following yesterday's meeting, Mr Poole also took the opportunity to deny that there would be any local deals. "I want to make it absolutely clear that the trade union side disassociates itself from any attempt in any ambulance service to go for a local deal."

- *Merseyside police will provide ambulance cover for the first time today, it was reported last night, after crews were said to have voted to ballot on an all-out strike.*

Comfortable majority threatened

WITH the recently-formed National Health Supporters Party also preparing to contest Mid Staffordshire to try and recruit support from voters concerned about the future of the NHS, the ambulance workers' decision will strengthen the threat to the Government's theoretically secure 14,654 majority, writes Political Correspondent Michael Cassell.

With few burning local issues likely to emerge in the campaign, their intervention could attract significant support from traditional Conservative voters.

A date for the by-election contest, caused by the death before Christmas of Mr John Heddle, has still to be fixed. However, Tory party sources suggest the Government favours a date shortly before the March 20 Budget.

The ambulancemen's decision is not, in itself, likely to influence the outcome of the contest. However, with at least six minor candidates taking part, voters will have plenty of opportunity to register a protest vote against government policies.

With Labour well ahead in national opinion polls, the party leadership is not discounting the possibility of a spectacular victory and will be working to convince voters that it is the main challenger in a seat where it only just beat the Liberal Alliance candidate in 1987.

The first opinion poll conducted in the constituency – before the date for the contest has been announced – showed Labour with a small lead over the Tories, although the parties are not giving much credence to a survey taken before the campaign formally starts.

Ford strike hits staff at Basildon

By Michael Smith, Labour Correspondent

FORD MOTOR company yesterday sent home 200 employees at its Basildon radiator facility as a result of strikes by electricians and mechanical craftsmen at its Halewood plant.

Meanwhile, AEU engineering shop stewards at the company's Bridgend plant in south Wales have voted to tell 180 craft members to continue their policy of not crossing electricians' picket lines.

The 200 Basildon workers were told to return to normal work on Monday. None the less, they are the first Ford workers to be sent home following the start of an official strike by the company's 1,600 EETPU members on Monday.

The development indicates that Ford could have growing problems next week in maintaining full employment for the more than 20,000 manual employees still at work.

Before the beginning of this week, the company had already sent home about 10,000 employees from Halewood and Southampton as a result of unofficial strikes by 550 skilled workers at Halewood. Ford said yesterday that the Basildon workers had been sent home because the closure of Halewood and Southampton meant there was less demand for radiators.

EETPU electricians and the AEU mechanical craftsmen are protesting against how the pay offer, accepted by 59 per cent of the 31,800 manual workforce, will affect them. Craftsmen say their differentials with semi-skilled workers are being eroded. Electricians are angry that they will have to undergo skills tests to qualify for new allowances.

Print employers seek big changes

By John Gapper, Labour Editor

EMPLOYERS in the general printing industry are seeking radical changes in working practices within national agreements covering 90,000 workers. The changes include "total flexibility" among all employees and 24-hour shift patterns.

The British Printing Industries Federation has said it wants big changes in working practices to improve productivity in the industry's joint national bargaining agreements with the print unions Sogat and the NGA.

The BPIF, which bargains on behalf of about 3,500 general print employers, will put proposals for more work flexibility to the unions shortly. The talks are expected to be the toughest in the industry for some years.

The federation is arguing that poor trading conditions mean it cannot afford to increase pay unless the rises are covered by improved productivity. The argument echoes calls from Government ministers for unit wage costs to be held down.

The deals are among the largest joint pay and conditions agreements remaining in industry. Other joint bargaining arrangements, such as those in the engineering industry, have broken up under pressure from employers.

In its negotiating statement to the unions, the BPIF says that it wants to reach an agreement providing "full flexibility between all production employees, subject only to training and experience."

It wants to secure "improvements in efficiency and productivity" before any new agreements. It also wants treble shift working – under which machines can be operated around the clock – and agreement to new working patterns.

The negotiations set grade rates for unskilled, semi-skilled and skilled workers. The unions have made claims for substantial increases in rates, as well as improvements in holiday entitlement and other conditions.

In its response, the BPIF says that the claims would add 27 per cent to the average wage bills of member companies. It argues that worsening trading conditions meant that pay increases must be financed by improved performance.

A survey of 13 BPIF members found 11 were suffering from reductions in profits on the previous year. Six had falls of between 10 and 35 per cent, while the other five had reductions of more than 40 per cent.

BAe revises hours offer in move to resolve Preston plant strike

By Michael Smith

BRITISH AEROSPACE has revised conditions attached to its offer of a 37-hour week for its Preston workforce in an effort to persuade 2,500 employees to end a 14-week strike.

The revised package will be considered on Monday by the national executive of the Confederation of Shipbuilding and Engineering Unions, which is co-ordinating the national campaign for a shorter working week.

The executive's views will be conveyed to the Preston strikers who will hold a meeting the following day to vote on the offer.

The revised offer, made during negotiations on Thursday, is understood to include concessions to manual workers. It does not, however, offer a reduced working week for most white-collar staff, many of whom work a 37 hour week already. Mr Roy Grantham, a national officer for white-collar workers at the GMB general workers' union, said last night that the company's proposed deal was unacceptable to his members.

The company had offered a lump sum payment to white collar workers to end their strike, said Mr Grantham. However, they wanted some hours off, or compensation through a consolidated pay rise.

"We have not gone into this dispute to win a lump sum payment," said Mr Grantham.

The outcome of Monday's and Tuesday's union deliberations have implications for all of BAe's plants, including those at Chester and Kingston-upon Thames, where workers are also on strike.

They will be watched closely by BAe's partners in the Airbus programme. Production on Airbus has been severely disrupted by the BAe strikes and the company's partners have been highly critical of its handling of the dispute.

It was unclear last night what changes had been made to the BAe package at Preston and what union leaders thought of them. Prior to the revise package being presented, the manual unions' main objection was the company's requirement that employees could be asked to work "any pattern of four-day shifts and hight shifts."

On Tuesday, it would be possible for manual unions to vote to go back to work, even if their white collar colleagues were against ending the strike. Mr Grantham said he thought that unlikely.

NHS allocates extra £5m for nurses' training

By Our Labour Editor

THE Government yesterday allocated an extra £5m for training nurses in high technology skills. The money will train an extra 1,500 nurses a year to work in specialisms such an intensive care and neo-natal treatment.

Mr Kenneth Clarke, Health Secretary, said the sum allocated to high technology care in this financial year would be raised from £3m to £8. He said the Government hoped to raise the number of qualifying nurses by a fifth.

The money will be spent on extra training for nurses after registration. The English National Board for Nursing Midwifery and Health Visiting will receive £175,000 to increase the number of tutors.

Health authorities will be given notice of provisional allocations and asked to submit plans for how they would spend them.

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Retreat in good order

MANY STATES, parties, and regimes in history have been overwhelmed by their enemies. Many have been the victims of their own weakness, corruption or megalomania. But it is hard to think of a precedent for the case of Soviet communism, where the dismantling of an entire political, ideological and imperial system has been almost universally hailed as an extraordinary personal achievement of that system's leader.

Mr Gorbachev has not yet quite jettisoned the Communist Party. He claims to be renewing and re-equipping it for the vanguard role which is still its vocation, even though in future it will have to earn that role strictly within the democratic framework. Yet few students of Soviet public opinion believe the Party would have much chance of retaining power in such a fair fight, and it looks increasingly as though what Mr Gorbachev is actually attempting is to prepare an alternative power base for himself. The thrust of the proposals adopted by this week's central committee meeting is to strengthen the state institutions, especially the presidency, at the Party's expense; and when Mr Gorbachev was asked yesterday whether he would run for the presidency as a Communist candidate he replied: let's wait and see.

Of course, his success in a truly democratic election is far from guaranteed, even if he runs without, or against, the Party. Objectively, perhaps, the population owes him a great debt of gratitude, but gratitude is not as a rule a potent factor in politics. In eastern Europe little or no gratitude has been shown to reforming communists. In the Soviet case, people may look above all for a leader capable of improving their economic fortunes, and there Mr Gorbachev's claims remain weak.

Tactical skills

The most persuasive reason for thinking that he might even so succeed in transforming himself into the elected leader of a democracy is the astonishing run of political successes he has chalked up so far. He has displayed tactical skills such as Machiavelli did not dream of. But he has never yet submitted himself to a direct popular vote. His domestic successes have been achieved in the context of one-party politics, by constantly placing himself at the point of balance between ever-bolder radicals on the fringes and ever more desperate conservatives at the core of the Party.

Again and again he has denounced the radicals as trouble-makers, and their demands as rubbish, only to concede those same demands later when a sufficient popular momentum had built up behind them to intimidate the conservatives. Perhaps no one knows, except himself, how far he has deliberately planned this and how far his own views have genuinely changed as the debate swirled onward. Either way, those who have been repeatedly outmanoeuvred, on political if not on economic issues, are the conservatives.

Lifelong habits

They lack any coherent alternative programme or credible alternative leader, while their lifelong habits and convictions leave them ill equipped to function as an effective opposition. It is highly symptomatic that this week they all ended up voting for a resolution of which they profoundly disapprove, while only the radical Mr Boris Yeltsin, who objectively was on the winning side, had the courage to cast a dissenting vote. In an open electoral fight, facing avowedly anti-communist challengers, Mr Gorbachev might not enjoy the same advantages.

We shall see – or at least there is now a good chance that we shall, for the conservatives have now conceded the principle of pluralism, showing they lack the strength or the conviction to reverse the process. Meanwhile we can only feel grateful that Mr Gorbachev has applied the same principle in foreign affairs, allowing time to do its work and conceding at each stage in the process the point that he had previously hotly contested.

First he firmly defended the existence of a separate East German state; then he envisaged German unity only as a distant prospect, to be preceded by the dissolution of both Nato and the Warsaw Pact; then he declared that no-one cast any doubt on the principle, but appeared (through Mr Hans Modrow) to demand German neutrality as a price; and now, it seems, he gratefully accepts the idea, put forward by the West German and US foreign ministers, that a united Germany should belong to Nato without Nato forces being deployed in what is now East Germany territory.

Seldom if ever can a historic retreat have been executed with such good grace, even when it showed every sign of turning into a rout.

Whatever Soviet citizens may think, Mr Gorbachev's personality and skills are an extraordinary gift to the human race. The West at least should not be blamed for feeling grateful, and for seeking to prolong the benefits as best it can.

Paul Cheeseright reports on the mood of Britain's developers

When the mighty whimper, the meek may be drawn to tears. The mood in Britain's property industry was rendered lachrymose this week by Rosehaugh's announcement that it was asking shareholders to stump up for a £125m rights issue – a call for capital at a time that could scarcely be less propitious.

To be sure, smiles have been a rare commodity among property people as developers' returns have fallen and the Government has kept up its squeeze on the economy. But until now Rosehaugh – under Mr Godfrey Bradman, its chairman – has been one of the 1980s' most successful developers, immune to ordinary worries. Its rights issue raised an inevitable question – whether Britain is about to see a recurrence of the 1974 property crash, when developers collapsed, dragging secondary banks with them.

Here, after all, was a company which had been preaching the virtues of accumulating assets, whose name cropped up in relation to every large London property development, whose chairman had a reputation for awesome financial intelligence, suddenly asking shareholders to shore up its finances and strengthen its capital.

Nor was Rosehaugh the only property company whose actions this week threw up questions. J.M. Jones, the private construction and development group, collapsed with debts of £50m. Regalian Properties put all its £180m of residential developments on the market in a pay-half-now-and-the-rest-later scheme.

But it was Rosehaugh's call for capital that caused the real surprise. Its move had the smack of distress about it. A one-for-one rights issue at a price of 200p a share, just 43 per cent of the share price before the announcement, did not suggest that Rosehaugh expected a rapturous market welcome.

It did not have one. But its capital-raising could be interpreted in a number of ways, none of which offers much succour to the company.

The first is to assume that Rosehaugh's move verified the darkest fears that property companies are increasingly vulnerable to the economic downturn; corporate failures are coming; Rosehaugh is a symptom of widespread difficulties.

The second is to assume that, as one property executive put it, "Godfrey's problems are Godfrey's problems and he's got them at the wrong time." Thus, they have no lessons for other companies.

The third and less extreme interpretation is to argue that the difficulties of the market exacerbated Rosehaugh's intrinsic problems but that these are not necessarily an omen for the business as a whole. Certainly there are many companies badly hurt by high interest rates, yet, the argument runs, it is premature to imagine a 1990-91 crash to match that of 1974-75.

It is true there are some similarities between now and then. Interest rates moved up sharply in the mid-1970s. Interest rates are high now. The banks then had been lending money with abandon. They have been doing the same thing since 1986.

But the commercial conditions have changed. Most important, perhaps, is that the 1970s property crisis was part of a general collapse in asset values, of which there is no sign today. And in the property area itself, there are clear differences between the two periods. Then there were rent controls; now there are not. Then the demand for buildings dried up; now rents in some areas are still rising.

It is the bank lending which causes most worry to those who fear the 1974-75 precedent. The 1970s crash happened when the over-extended secondary banks called in their loans to equally over-extended property companies.

Now, as then, the amount outstanding to property companies has risen with dizzy speed: from less than £10bn in February 1987, to just over £15bn a year later, pushing towards £24bn in February 1989. On the latest Bank of England figures for November 1989, it is now nearly £32bn.

Rosehaugh has been one of the companies which has taken advantage of the banks' enthusiasm for property lending. It has more than £400m of debt on its balance sheet and, off it, with associated companies, nearly £1bn more.

But there are two points of solace for those worried about the amount of borrowed money splashing around the property system. First, as a proportion of total bank lending, the amount outstanding to property companies reached a 1987-89 high of 7.75 per cent in May 1989 and has since fallen back. This proportion is not, in any case, as high as the peak of 9.59 per cent reached in 1975.

Second, just as the property sector itself is better financed now than it was 15 years ago, so the banks are sounder. The secondary banks have disappeared. In their place is a range of European, Japanese and US banks with the British clearers accounting for nearly 45 per cent of total lending to the commercial property sector.

If lending institutions now are to start calling in their loans it will not be because their own financial position is weak but because they have lost their faith in a borrower's ability to repay. Witness the case of Kentish Properties, the residential developer, which crashed last year when sales of flats dried up on a London Docklands development and the lender, Halifax Building Society, called in the receiver.

If the newly arrived lenders' tolerance proves short-lived and loans are called in, then this is where the cracks will appear in the sector. The vulnerable companies now are those, with development sites bought from mid-1988 onwards, which have seen optimistic financial appraisals become irrelevant and which have inexperienced bankers.

The line between financial success and disaster is fine. As Morgan Stanley, the investment bank, illustrates in the hypothetical example shown in the chart, things only have to go wrong a little – construction costs over-run slightly, rents undershoot a bit, required investment yields edge upwards, and interest rates climb as they have done over the past few years – to turn a potentially very profitable development into one that makes a thumping loss.

Rosehaugh's action raised the question of whether Britain is about to see a recurrence of the 1974 property crash

When the economy is growing fast and the demand for space is outstripping the ability of the property companies to provide it, then a rise in, say, construction costs can be absorbed because the rents obtained from a property, or its selling price, will probably be higher than those originally envisaged.

This was the case in 1987-88 and explains why returns on property outstripped those of other forms of investment.

Since then, however, the rise in interest rates has made development more costly at a time when growth in rents is slowing down and in some cases the value of property is starting to fall. This has been most pronounced in London and the south east of England and most clearly visible in the retail sector.

In the last quarter of 1989, according to the Investment Property Databank's measurement of institutional property portfolios, the value of retail property fell by 1.8 per cent. During the four months to last September the amount of available industrial and warehousing space in England and Wales rose for the first time in six years, reported King & Co, chartered surveyors.

While declines in value are abnormal, the rate of return from property has been slipping since the start of 1989. Total returns (capital-value increases plus rental income) from all properties were an average of 31.7 per cent in 1988 but 16.8 per cent in 1989.

If there has been a recent turning point on the market, it was when Mr Nigel Lawson resigned as Chancellor of the Exchequer last October. Since then deals have been increasingly difficult to do; turnover has dropped. Companies are still taking new space, properties are still being bought and sold, but the process is much slower than it was before. Confidence ebbed away from the market in much the same way as it did after the October 1987 equity market crash. But it returned in early 1988. It did not in early 1990.

In a remark which has a direct bearing on the state of a company like Rosehaugh, an executive remarked that "when sentiment starts to turn, it is difficult to find liquidity rapidly."

Here, then, is a slowing market at a time where more space is becoming available, where consumers, whether they be private individuals looking for new houses or companies looking for new offices, are reluctant to face the higher charges consequent upon the explosion of rents and price between 1986 and 1989.

"Difficulties on the sales market," commented Smith New Court, the stockbroker, "will clearly be affecting all developer-traders, construction companies and fringe players alike, not just Rosehaugh." "The men are being sorted out from the boys," one property executive said. "When there's a boom market a lot of cowboys come in. Now they're being forced out."

The companies most readily equipped to cope are those with a stream of income from rents which exceeds their interest rate costs. This is most obviously the case with the large investment groups like Land Securities, MEPC, Hammerson, British Land, Slough Estates and Great Portland Estates. But the development companies, unless they have a portfolio of properties sold in advance of completion or long-term funded by an institution, are less fortunate.

In its last financial year, less than 10 per cent of Rosehaugh's interest payments was covered by its rental income. Yet between June 1989 and January 1990, Rosehaugh's net borrowings on the balance sheet rose from £262m to £410m. Its situation was less than comfortable.

And becoming more so. "Godfrey just couldn't make ready disposals," observed a competitor. Indeed, the group's head office in London's West End has been quietly offered around the market since before Christmas.

Given that the downward shift in the property market has taken place over several months and that the industry is notoriously cyclical, it is strange that Rosehaugh continued with its developments as if nothing was happening. Its own explanation of its debt increase, at a time when other companies were seeking to consolidate or reduce debt, was "the expansion of the group's trading stock and development work in progress."

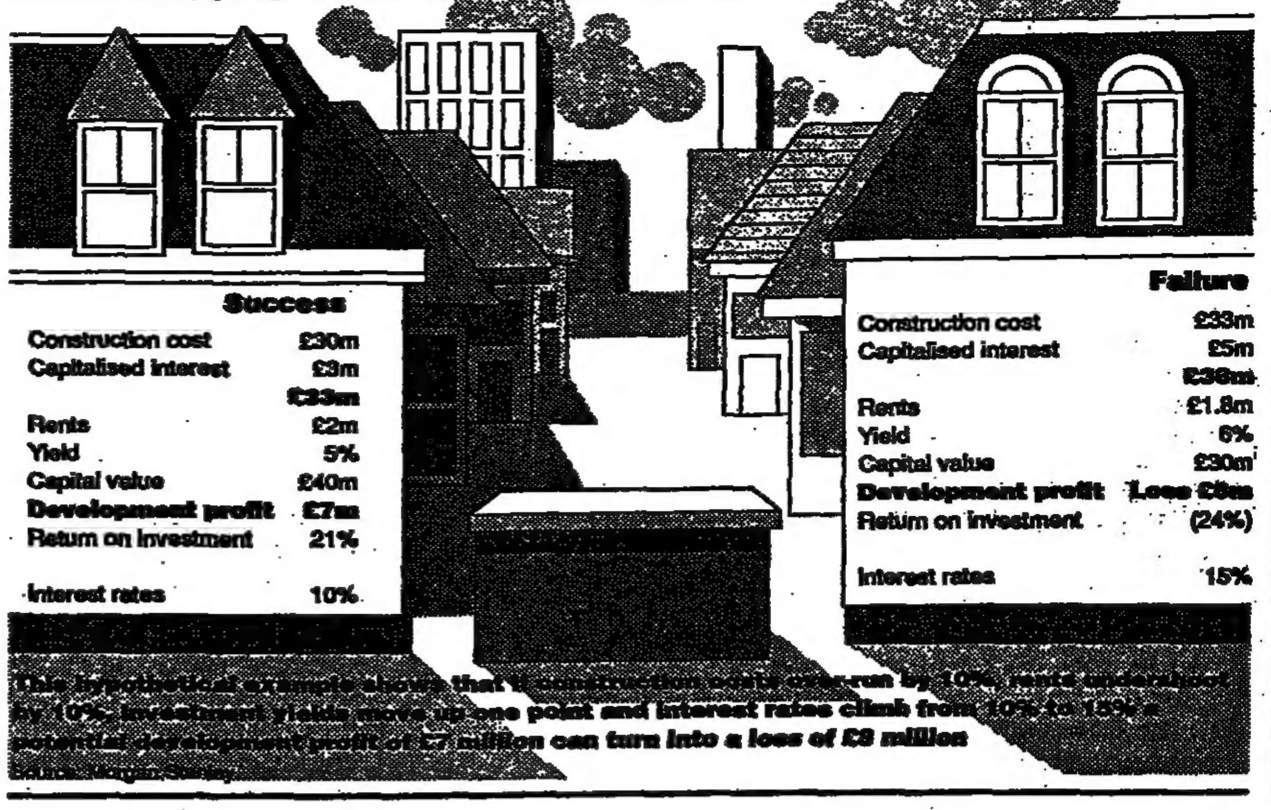
A clue might lie in an incident when FT journalists met Mr Bradman earlier this week. He was talking about Chafford Hundred. Asked where it was, he was unsure. Kent, he said. No, said an adviser, it's Essex. No, said Mr Bradman, it's Kent. In fact, it is north of the Thames, in Essex. The exchange would have been insignificant had it not been for the fact that Chafford Hundred is the name given to the biggest single housing project in the UK and Rosehaugh is a major player in its development through a subsidiary.

The impression given was that Mr Bradman had lost track of some, at least, of what is happening in the Rosehaugh group. Its expansion has been rapid and complex. By 1988 it had a web of more than 150 associates and subsidiaries and Mr Bradman had only a direct personal interest in a few projects. He also seems to have been spending a great deal of time on outside activities – environmental issues and so on.

Rosehaugh's need for cash springs less from its involvement in the major London development projects for the 1990s – Broadgate and Ludgate in the City or the Kings Cross railway lands, for example – than in the 50 odd other shorter term projects up and down Britain. These are projects exposed to the immediate pressures of the marketplace but not, it may be surmised, to the pressure of hands-on management from Rosehaugh.

In this there is some comfort for the rest of the property industry. If Rosehaugh's difficulties spring from management problems, then others do not necessarily have to follow where it goes.

How a shopping centre development can go wrong



This hypothetical example shows that if construction costs over-run by 10%, rents undershoot by 10%, investment yields move up one point and interest rates climb from 10% to 15% a potential development profit of £7 million can turn into a loss of £8 million

Source: Morgan Stanley

Black week for the property men

MAN IN THE NEWS

Kjell-Olof Feldt

Market socialist pushed to impose controls

By Robert Taylor

Nobody could miss the irony of this week's decision by Sweden's finance minister Kjell-Olof Feldt to impose a two-year wage, price, rent and dividend freeze. Here is the articulate champion of market socialism introducing the kind of crude economic controls that eastern European countries are abandoning with haste.

"I have never believed in planned economies. I have seen the results and I saw them earlier than some of my colleagues in the Social Democratic party," Mr Feldt has declared again and again over the past seven years he has been finance minister.

Indeed, during the 1980s Mr Feldt pursued a liberal economic strategy designed to make Sweden a much more entrepreneurial society. "There is no national sovereignty in the economic field," he argues. "You have to be a part of the international world."

For most of that time Mr Feldt proved a success, helping his party to election victories in 1985 and 1988 on a wave of affluence and goodwill. He seemed to embody the pragmatic professionalism that Swedes have come to expect from their Social Democratic rulers.

He has always lacked the political strength to tackle Sweden's familiar deep-rooted troubles of low economic growth and sluggish productivity in ways that would have upset his party colleagues. Thanks, however, to the shrewd devaluation of the krona when the Social Democrats came back into office, Mr Feldt was able to create an optimistic economic climate in which Sweden's private enterprise could thrive on international markets.

Owlish, crumpled and grey-haired, Mr Feldt – now 57 – rose rapidly in Swedish public service. By the age of 34 he was budget director at the finance ministry. Two years later he became chairman of the central bank's governing board. A Social Democrat since his student days, Mr Feldt was brought into the cabinet as commerce minister in 1970 by the late Olof Palme, who admired his intellectual brilliance even if he thought he was too right-wing.

A bright, tough, amusing man with a short fuse, Mr Feldt is a kind of Scandinavian Denis Healey, who does not suffer fools gladly. Chastised by a visiting British journalist during the 1988 general election campaign for sounding like Mrs Thatcher, he replied "Too bad."

Over the past few years he has faced constant battles with the more traditionalist elements in the Swedish labour movement, particularly among the union leaders who think he is too fond of capitalism.

Mr Feldt's biggest achievement has been as the architect of the country's huge tax reform that is supposed to be complete next year, moving the main burden of taxation off personal incomes and on to goods, services and capital.

Under his direction the battery of rules and regulations that protected Sweden's financial system has been steadily abandoned. His policies of high interest rates and a tight control on public expenditure have upset the big spenders in his party. He has seen no merit in subsidising industry with taxpayers' money or in public ownership, pushing hard for the privatisation of what small areas of Sweden's industry are in state hands.

The next step, he had hoped, would be to bring Sweden closer in spirit to the rest of western Europe with sweeping changes to deregulate agriculture, shake up regional policy and make the welfare state more efficient – perhaps even open to market forces.

Early last year he disturbed the party faithful with an article in which he cast doubt on the efficiency of the country's huge public services. "The whole world recognises the market economy has won a total victory over the only alternative – the planned society," he wrote.

Over the past few days, however, Mr Feldt has looked a more isolated figure – one who has lost much of his zest for the political game. What is happening to the Swedish economy has cast a serious doubt over the nature of the revival he presided over during the 1980s. It also undermines the confidence that others used to have in the quality of his judgments.

Certainly Mr Feldt's authority has been weakened – though his power was always less than many recognised. Over a year ago he realised the writing was on the wall for the economy and he tried to take drastic action. But he failed to convince union leaders and the other parties in Parliament of the gravity of the economic outlook. He was forced to retreat and introduce a scheme of forced savings, in which he rightly had little faith.

Until recently Mr Feldt's future was seen, perhaps, as heading the World Bank or the International Monetary Fund. But perhaps, like Britain's Nigel Lawson, he has stayed too long as finance minister for his reputation's good. Now, presiding over an economy in crisis, he has resorted to methods that contradict his fundamental beliefs.

This week Mr Feldt has been anxious to convince everybody that his market strategy is not in ruins. "The freeze means we have taken a major step away from the Swedish Model [of industrial relations] with its free wage bargaining," he admitted this week. "But this is our last chance to save the Swedish Model through combining economic growth with full employment and the welfare state."

He sees ominous parallels in Sweden with what happened in Britain 11 years ago in the "winter of discontent." "Our situation is like that with wild strikes and chaos in the labour market," he argues. "In Britain there was a strong political reaction and a Conservative government was elected to power which led to attacks on the trade unions and the welfare state."

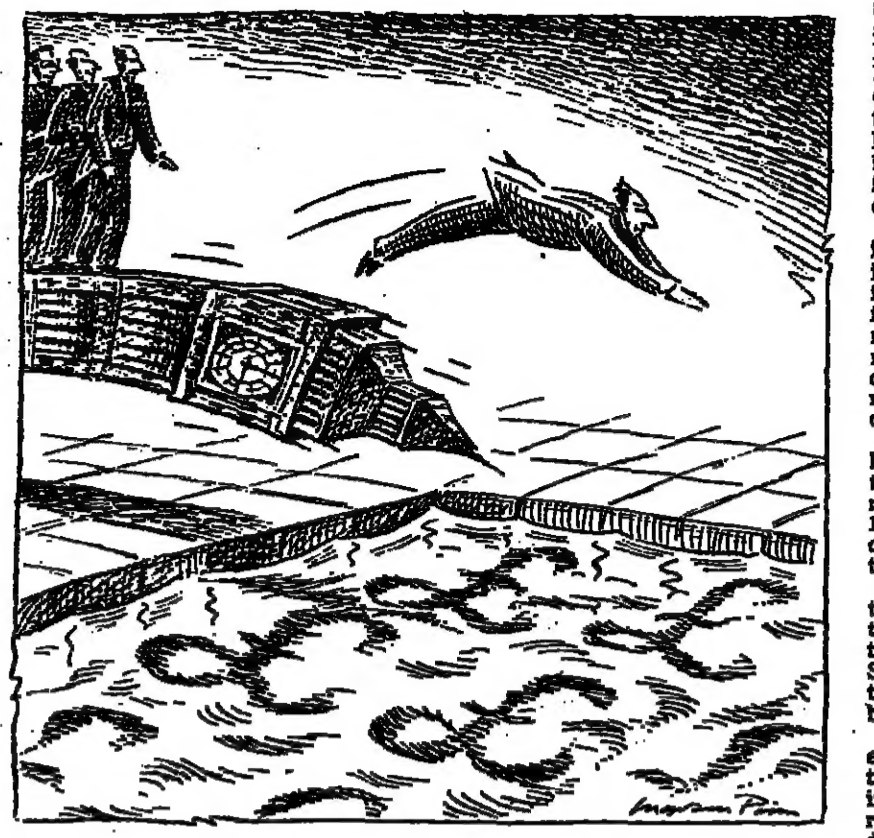
But it may well be that the reasons for Sweden's economic crisis lie in the very success of Mr Feldt's market-oriented policies. By undermining Sweden's centralised collective bargaining system, and reducing unemployment to 1.5 per cent, they have ensured that the labour market can no longer function in its traditional way.

Mr Feldt hopes the freeze will have a calming influence, allowing unions and employers to work out a more sensible way of negotiating pay. Many suspect, however, that the design of the package is dictated more by political than economic considerations. Next week the government may well be defeated in Parliament, then call a spring election. Mr Feldt and his economic strategy will continue to be Sweden's dominant political issue in the weeks ahead.

I sit, by selection,
Upon the direction
Of several Companies bubble
As soon as they're floated.
I'm freely bank-noted
I'm pretty well paid for my trouble.
The Duke of Plaza-Toro,
The Gondoliers

Simon Holberton on the boardroom role of former politicians and officials

Headfirst into corporate life



Mr Nigel Lawson's appointment to the board of Guiness Peat Aviation, the world's largest lessee of commercial aircraft, for a reputed £40,000 has, together with his £100,000-plus remuneration from Barclays Bank, made him the envy of many an impoverished Duke, retiring Cabinet Minister or senior civil servant, but the object of rebuke in the popular press.

Not all non-executive directors are as well paid as Mr Lawson; they are more likely to earn about £15,000. As a former Chancellor, Mr Lawson offers a rarity value in addition to his intellectual skills.

The last Chancellor of the Exchequer to go to the City was Mr Anthony (now Lord) Barber who became chairman of Standard Chartered, the clearing bank, in the mid-1970s. Mr Denis Healey has restricted himself to membership of the European advisory board of Nippon Telegraph and Telephone; Sir Geoffrey Howe remains in the Government.

The practice of leading figures from public life and the bureaucracy moving in to commerce and industry is not a peculiarly British phenomenon. In Japan it is known as *amakudari*, or the descent from heaven; in South Korea retiring generals who appeared on the boards of companies are known as "parachutists"; in France, the move from the bureaucracy to industry or commerce is called *pantouflage*.

Exchange between business and government in the US is is often in the opposite direction. In President Reagan's cabinet both Mr George Schultz, the Secretary of State, and Mr Caspar Weinberger, the Defence Secretary, had previously worked for Bechtel, the construction company. It is still relatively rare for a retired professional civil servant or politician to appear on the main board of leading US companies.

In the UK, however, appointments like Mr Lawson's are commonplace and many retiring senior civil servants (after a suitable interval) find their way to the boards of the country's most prestigious and powerful companies.

A good example is BAT Industries. It traditionally invites the retiring permanent secretary at Foreign Office on to its board, together with another luminary from officialdom.

Sir Michael Palliser and Lord Armstrong, the former Cabinet Secretary, carry on the tradition. Some allege it is born of the close links the British Secret Service is supposed to have enjoyed with BAT's far-flung tobacco empire, although Lord Armstrong disavows any knowledge of it.

"As far as I am concerned, I spent a great deal of time on the international economic circuit as a sherpa [for the Prime Minister in advance of World Economic summits]," he says. "That knowledge and experience is something a company like BAT or Shell [of which he is also a board member] can't easily get from elsewhere."

He is, however, aware of potential conflicts of interest. "What you can't speak of you don't speak of. My obligation as a former civil servant takes precedence and I think the boards to which I belong understand that."

But as one leading industrialist observes: "In the UK we tend to think in terms of contacts. In the US I don't think directors are recruited for their ability to open doors.

"Having an ex-ambassador or bureaucrat as a non-executive director is all right. They can be useful for their contacts and bring interesting people to lunch, but in the US they rarely appear on boards. They are too hungry for work and too eager to be liked."

In the US, nearly 70 per cent of directors of quoted companies are outside appointments and many of them are chief executives or former chief executives of large companies. For admirers of the US system this means that the director is not reliant on the company for his income and his status, enhancing his independence.

Critics point out that too often in the US the board of directors comes under the influence of a dominant chief executive; as a result they lack the time, power and sense of common purpose to act as effective supervisors of company.

How far should directors go in overseeing the company to which they have been appointed? Mr Ronald Grierson, the deputy-chairman of the General Electric Company, and a member of a number of US boards, believes the role of the independent director is essentially supervisory and advisory. "The idea that the board should have a view as to whether the company should concentrate its sales effort in Europe or South America is unrealistic," he said.

"It should be management that makes that decision. I do not think the role of a non-executive director is to do strategic thinking, whatever that may mean. That is the responsibility of senior management and if they are not capable of doing it then they should be replaced."

Most British public companies appoint outside directors. Indeed, according to a study by Korn/Ferry International, the multinational headhunter, more than 85 per cent of public companies employ non-executive directors. The typical such figure is most likely to be a 50-59 year-old male; to have been an outside director for under five years; and, to be a main board director of his own company.

Mr John Stork, Korn/Ferry's managing director, says companies are less interested than they were 10 years ago in appointing outside directors simply for the glitter they may add. "There are more cynics around these days and more people are concerned with meritocratic values," he said. "Most appointments are being made with what people can contribute in mind."

He cites one example of a company keen to recruit a Continental European to its board because it is wants a Continental perspective in the run-up to the 1992 single market reforms. "That is a creative use of the non-executive director role," he says.

Lord Armstrong agrees. "I don't think that Shell is hungry for my contacts; they have plenty of their own. If the Chairman of Shell wants to see the Secretary of State of Trade and Industry he doesn't need me as a go between."

Lord Gowrie, chairman and chief executive of Sotheby's, the fine art auctioneer, believes that outside directors in a public company are the public's representatives. As a non-executive director of the Really Useful Group – which has just received a bid from its founder, Mr Andrew Lloyd Webber, to take it private – his job is to make sure the offer fairly values the company.

"We have a precise duty: that is to advise the public whether this offer is in their interests," he says. "When there is a change in the status of a company I think it is the very important job of the outside directors to see that they keep the interests of the company's shareholders uppermost in their minds."

The need for better corporate governance prompted the Bank of England to lead the push for greater use of outside directors on company boards. It was behind the creation of Pro Ned, a lobby for and provider of potential non-executive directors, in 1982.

The UK has resisted making the appointment of outside directors compulsory . Mr Jonathan Charkham, an advisor to the Bank's Governor and Pro Ned's first head, argues, however, that it is time to rethink that view.view "It would improve the odds of in favour of better management," he says.

Not all outside directors are as well paid as Mr Lawson; they are more likely to earn about £15,000

Where the secrets get wormed out

Louise Kehoe reports from Silicon Valley on old troubles come back to haunt Apple Computer

Little happens at Apple Computer that remains private for very long. Much to its chagrin, the company's secrets, whether product plans or personnel changes, have frequently been leaked.

Recently, however, Apple suffered one of its most embarrassing episodes since founder and former chairman Mr Steve Jobs quit the company five years ago after a failed attempt to remove Mr John Sculley from the post of chairman, which he occupies still. Mr Jobs sent his letter of resignation to the press before it was delivered to Apple's board of directors.

Over the past two weeks the occupants of Apple's executive suite have played a game of musical chairs. One of the five top managers has resigned; another has been promoted; and a third has made it known that he intends to leave. Mr Sculley has acknowledged serious weaknesses in the company's product strategy and announced plans for layoffs and severe cost cutting at the company's Silicon Valley headquarters.

There are common themes between the events of five years ago and those currently under way at Apple.

Then as now, the company was under severe competitive pressure: sales were not as high as expected. In 1985 Apple badly needed to develop a new "open" version of the Macintosh personal computer that corrected some of the shortcomings of the first model. Today it must modernise its product line to meet more closely the market's demand for lower cost computers, laptop machines and those which are able to share information and programmes with other types of computers.

The chief players in the current shakeup at Apple are:

● Mr John Sculley, chairman and chief executive, who is trying to reshape Apple's top management in an effort to regain the zest that made Apple a leader in the personal computer business.

Mr Sculley arrived at Apple in 1983, with a strong reputation in marketing won at Pepsi-Cola. In public forums, Mr Sculley is a master of the stage; in private he is unassuming and reserved. His enthusiasm for Apple technology and for building the company into a $10bn corporation without losing its youthful spirit is infectious.

A consensus manager who delegates major responsibilities to colleagues, Mr Sculley might be criticised for being too trusting and for sometimes failing to recognise the magnitude of problems before they become positively threatening.

● Mr Allan Loren, president of Apple USA, the company's domestic division, who resigned 10 days ago for "personal reasons." Mr Sculley hired Mr Loren in 1987 when Apple was planning a big effort to break into the corporate computing market.

Mr Loren succeeded in winning important clients by paying close attention to customer relations and eschewing Apple's obsessions with image and its own corporate culture. But as a tough New Yorker, Loren never really adapted to Apple's Californian style and was not popular.

● Mr Jean-Louis Gassée, until recently wholly responsible for product development in his role as president of Apple Products. A flamboyant Frenchman, Mr Gassée likes to be outrageous. His trademark is the large diamond stud worn conspicuously in his left ear.

He is described by some current and former colleagues as a visionary genius and by others as a devious politician who is difficult to work with. What is clear is that Mr Gassée craves power. He was seen at one time as a likely successor to Mr Sculley.

Mr Gassée was, however, demoted in the reorganisation announced by Apple a week ago. He was left with shared responsibility for product development and relieved of his other responsibilities. He is expected formally to resign very soon. His imminent departure is public knowledge but he has said nothing explicit about it.

Mr Gassée is said to resent the criticism levelled at Apple's latest product, a portable version of the Macintosh, which represents the first "revolutionary" rather than "evolutionary" product to come out of Apple in his five-year tenure in product development. The portable Macintosh incorporates new display technology which makes the image on the screen much better than that of other portable computers. But difficulty in obtaining the displays has limited sales since the machine was introduced last year. Moreover, the portable is expensive and bulky.

● Mr Michael Spindler, former president of Apple Europe, and credited with having built up the company's European business to the point where it now represents about 40 per cent of revenues and 45 per cent of profits. Mr Spindler was promoted to the new position of chief operating officer, taking over responsibility for marketing and manufacturing from Mr Gassée. He is now Mr Sculley's second-in-command.

Mr Spindler's new appointment is "the best thing that could have happened at Apple," says a close associate. Mr Sculley is said to have praised him as the company's best strategic thinker.

Mr Spindler says his goal is to turn Apple into a "global" company. Yet he has never held responsibility for operations in the US, where growth in personal computer sales is now slowing. In the past he was able to build his own organisation rather than inheriting one weakened by internal dissension.

Inevitably, there will be more defections at Apple among those who were supporters of Mr Gassée and Mr Loren. After yet another messy management transition, the company must deal with its real problems.

What Apple needs, say watchers of the company, is a new marketing strategy focused on "vertical" or specialist markets as well as new products that capture the ease-of-use advantages of the Macintosh but which can be sold at more competitive prices.

LETTERS

A case for controls on portfolio capital exports

From Mr Karel Williams, Mr John Williams and Mr Colin Haslam.

Sir, Is it worth considering controls on export of capital in a country like Britain which had a £20bn trade deficit last year, exports £10bn of portfolio capital each year and then bridges the gap by using punishingly high interest rates to attract an inflow of hot money?

Not according to your editorial ("A swallow, not a summer," January 27). Blocks on export of capital would upset market mechanisms from which Britain stands to benefit: specifically, you argue, that controls would remove the pressure on managers to maintain or increase domestic profitability and would reduce the flow of inward investment.

Your argument starts from a false premise. Britain's non-financial corporate sector is self-financing and does not "compete for capital in a global market." Your premonitions about the effects of controls are alarmist and unjustified, if we are discussing controls on export of portfolio capital.

Controls on capital export would allow a fall in interest rates but that has never in the past undermined the pursuit of profit. As for the rate of profit achieved, cyclical recovery in the later 1980s suggests that this is mainly determined by the level and trend of output. As the British economy turns down in the early 1990s we can expect a decline in the rate of profit regardless of policy stance on capital movements.

Controls on outward portfolio investment are equally unlikely to choke off inward direct investment of a productively valuable kind. That is because, under any circumstances in Britain in the 1990s, the volume of such investment is likely to be small. Inside a free trade Europe the Germans are under no pressure to decentralise production. The Japanese will make start-up investments in Britain, but the surplus for subsequent expansion will probably be realised from existing operations.

The option of controls on outward portfolio investment is worth considering until its opponents come up with better economic arguments. The main argument against such controls remains the political one: imposition of such controls is against European Community rules and a British Government which imposed controls might face some form of EC retaliation.

This political risk must be set against an economic certainty. If controls are not imposed, deflationary adjustment will take its course and the British balance of payments will right itself at lower levels of output and employment. As the recent figures on manufacturing output show, this is already happening. We hope we are not alone in finding this prospect repugnant.

Karel Williams, John Williams, Colin Haslam,
Department of Economics,
University College of Wales,
Aberystwyth

TV carbuncles

From Mr David Taylor.

Sir, The report of the FT Satellite Monitor (February 6) indicating that some 5m homes will have satellite TV receiving equipment by the end of 1993 highlights the need for the installation of dishes to be the subject of control by the planning authorities.

Almost every one of the 558,000 dishes so far installed is an eyesore on the building to which it is attached.

Serious attention must now be given to limiting, controlling or harmonising the visible effects of these carbuncles. It will be too late when their number has increased almost tenfold.

David J. Taylor,
31 Sion Hill,
Bath,
Avon

Wilberforce too

From Mr D.J. Booth.

Sir, How splendid of Hull to remember Wilberforce and the Abolition of Slavery Bill (1807). ("A halt to the devil's work," Weekend FT, February 3).

I am sure, also, that the Museum Director will not omit Wilberforce's earlier social contribution – the Combination Act (1799).

Penalty for a first offence was three months in jail for "any working man who combined with another to increase his wages."

D.J. Booth.
4a Lawn Road,
Lymington, Hampshire

Potential infection route

From Professor John Postgate.

Sir, Bridget Bloom ("Vets urge slaughter of 'mad cow' calves," January 26) gave an excellent brief survey of the situation regarding bovine spongiform encephalopathy.

The agent involved seems to be a slow virus derived from sheep scrapie, but it may not be genetically identical to the sheep scrapie with which scientists are familiar. It is just as likely to be a mutant able to colonise a new host, a mutant which, because an abnormal diet opened up a hitherto non-existent infection pathway, is now established in that host.

If the agent's host range has changed, the fact that conventional sheep scrapie has never been known to colonise poultry, pigs, dogs, cats or man has little bearing on whether the mutant disease can. It might or it might not; if not, it could mutate again to do so.

Research will in time reveal all, one hopes, but meanwhile it is surely unwise to leave open a potential infection route to, and perhaps through, pigs and poultry.

John Postgate,
Houndean Lodge,
1 Houndean Rise,
Lewes, Sussex

Independent financial advice

From Mr Graham Ogden.

Sir, I notice that Mr G.R. Lister of the Bradford & Bingley Building Society (Weekend FT, February 3) is quick to point out that the choice of independent financial advice on the high street is wider than Barry Riley ("When citizens are no longer fair game," January 20) suggests. What he fails to do, however, is to recognise that what he means by independent financial advice does not correspond to what the majority of the general public regard as independent financial advice.

It should be that independent financial advice will provide people with the pension or investment arrangement most suited to their needs. But, by Mr Lister's own words, the service offered directs customers to use "whichever insurance company fits the bill." Although insurance companies have a large slice of the market, perhaps too large a slice, they do not have the monopoly on pension and investment products.

I am sure the Bradford & Bingley can distinguish between independent and insurance advice but I suspect that the commercial advantage of receiving insurance commissions is so great that other products are quietly ignored.

If Independent Financial Advice (IFA) is to become synonymous with Insurance For All, then where does one go for independent advice?

Graham E. Ogden,
12 Cadogan House,
All Saints Road,
Cheltenham, Gloucestershire

King's rules

From Lord King.

Observer says ("King falls," February 8) "not even Lord King can open every door" on the occasion of my visit with President Carlos Menem of Argentina.

There were a number of photographers taking pictures of me shaking hands and talking with the President. I was not aware of the fact that the FT had not made arrangements to open doors for themselves as the other photographers must have done.

The FT photographer did not ask me. Had he done so he might have got his photographs.

King,
Chairman,
British Airways,
Enserch House,
8 St James's Square, SW1

Gang control

From Mr Andrew Howard.

Sir, Mr Morgan and Mr Knights (Letters, February 3) express concern about shortcomings in the control of tied agents by life companies.

Dare I suggest that it was largely the profligate granting of agencies by greedy life insurance companies over the past 20 years or so that has necessitated much of the present legislation.

Asking companies to control their agents is like expecting Fagin to live only off the honest earnings of his gang.

Andrew C.J. Howard,
122 Perry Hill, SE6

Dockland rate

From Mr David Hardy.

Sir, Although rates are a contributory factor in any organisation's accommodation costs, they should be viewed in respect to the total occupational costs which include rent ("Enterprise zones may face high rates," February 3).

Therefore it is hardly surprising that companies are keen to take advantage of the benefits offered by the London Docklands Enterprise Zone. Commercial rents are on average a third of those in the City and West End. Because rateable values are based on rental values this overall margin will be maintained. This, combined with the other advantages of an enterprise zone, makes London Docklands an extremely competitive business location for the 1990s.

Over 1,500 companies have now decided to locate there and many are overseas interests. Is it that UK companies are less cost conscious than their overseas counterparts?

David Hardy,
Chairman,
London Docklands Development Corporation,
Great Eastern Enterprise,
Millharbour E14

Pension decade

From Mr Alan Bradley.

Sir, Eric Short, reports ("Pension age for many women is 65," February 6) the finding from the latest survey of occupational pension schemes that, of the 43 per cent of schemes with a common retirement age, 42 per cent had opted for a common age of 65. He goes on to add his comment that, in such schemes, "women members have to wait a further five years before qualifying for a full company pension."

This is not necessarily so. Many schemes that have recently moved to a common retirement age of 65 introduced at the same time a provision that any member, man or woman, who retires with the employer's consent at any age between 60 and 65 will receive a full accrued pension not "actuarially reduced" to allow for its earlier commencement.

Effectively, therefore, they have introduced a "half-decade" of retirement from 60 to 65, a principle which many are also urging the Government to apply to state pensions.

Alan Bradley,
Lane Clark & Peacock,
30 Old Burlington Street, W1

Reduced labour costs help MSC vault to £5m

By Ian Hamilton Fazey, Northern Correspondent

THE GOVERNMENT'S abolition last summer of the "jobs for life" National Dock Labour Scheme helped Manchester Ship Canal Company reduce its labour costs by £2.5m and so hoist pre-tax profits from £486,000 to £5m in 1989.

However MSC will again pass its final dividend.

MSC is controlled by Mr John Whittaker, who said he intended to continue to plough all profits back for future developments. As well as owning half the 4m ordinary stock units and 80 per cent of the 4m preference shares, Mr Whittaker is also a property developer and chairman of Peel Holdings.

The taxable figure was reduced by £4.93m (£4.54m) for severance costs – MSC's payroll was cut from 715 to 422 – though this was offset by an exceptional profit of £2.25m (nil) on the sale of land.

The company shed its entire stevedoring workforce at Runcorn and Ellesmere Port when NDLS was ended. The scheme, which allowed only registered dockworkers to be employed on the loading and unloading of ships, had previously prevented a reduction in the workforce without the dockworkers' consent.

A further 42 port employees will go in 1990 and their severance costs have been included in the 1989 accounts. Ellesmere Port cargoes are now handled by two stevedoring companies already there, while at Runcorn 12 of the 24 former MSC employees have formed a stevedoring co-operative which turns the ships round faster than before.

Turnover fell to £19.7m (£22.2m) partly because prices paid by Shell UK, a major customer, were down by £1.9m as a result of an agreement dating from 1986. A further £300,000 of turnover was lost because of the dockers' strike against the ending of the scheme.

Mr Robert Hough, MSC chairman, said yesterday that turnover was likely to be about the same level in the current year.

Operating profit came out at £3.49m (£2.47m). Income from property rose to £3.03m (£1.85m), while investment income was up at £1.81m (£1.12m) and interest received totalled £636,000 (£420,000). Profits before exceptionals amounted to £7.69m (£5.03m).

Earnings per £1 ordinary share were 90.7p, compared with losses of 4.3p last year.

Property was revalued independently at £125.25m, an increase of £49.05m on the previous book value. Expected planning permission to develop 300 acres of land as a retail and leisure centre is expected to add another £50m to values, the company said yesterday.

An embargo on dividend payments was promised by Mr Whittaker, before he finally won a bitter three-year takeover battle for control of the company in 1987. This was interpreted by opponents as a threat to frighten shareholders into selling.

Mr Whittaker has stuck to his view that the company would need all of its resources for development. Manchester Ship has substantial land assets in the area.

However, with 4m ordinary shares worth £29 each and a £16 price for its 4m preference shares, the company now has a market capitalisation of £182m. The bid was made at £7 and £3 respectively.

Present prices mean it would cost Mr Whittaker about £80m to buy out the minority shareholders. Mr Hough thought this made an offer by Mr Whittaker unlikely.

Queensway chief unlikely to attend special meeting

By Maggie Urry

MR JAMES GULLIVER, chairman of Lowndes Queensway, the loss-making furniture and carpet retailer, is not expected to appear at the special meeting the company is holding on Monday morning at which shareholders are being asked to vote for the £70m refinancing package.

Mr Gulliver's resignation will become effective the moment the resolution is passed, and Mr Norman Ireland, a non-executive director, will take over as chairman. The company felt it was more appropriate that Mr Ireland chair the meeting.

However, some feel that Mr Gulliver ought to face his shareholders one last time. One large institutional investor said that Mr Gulliver "could at least turn up" at the meeting.

An overwhelming vote in favour of the package – which involves a £35m rights issue and the issue of £35m of zero-coupon convertible loan notes – is expected at the meeting in Bromley.

Already around 80m of the 329m votes have been cast in favour of the deal, through proxies lodged with Charterhouse Bank, Lowndes' advisers. Only 36,000 votes have been cast against. The resolution needs the support of 75 per cent of the votes cast to be passed.

If the resolution is passed, the nil-paid rights will start trading on Tuesday. A price of between zero and 1p is likely. The existing shares closed yesterday at 6p, down ½p, compared with the 5p rights price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	93	Abtrust New Thai Inv.	95		–	–	–	–
§	F.P.	–	61	45	Do. Warrants	49		–	–	–	–
‡75	F.P.	–	92	81	‡Air London 5p	92		R2.25	2.5	3.5	13.9
–	F.P.	–	1½	¼	‡Atlantic Res. Warrants	1¼		–	–	–	–
100	F.P.	–	100	100	BZW Conv. Inv. Tst. 10p	100		–	–	–	–
–	F.P.	–	4¼	1	Bear Brand Warrants	2¼		–	–	–	–
¶42	F.P.	–	45	37	*Biocure 1p	39		–	–	–	–
†	F.P.	–	300	300	*Chartwell Group £1	300		N1.0	–	0.4	–
†	F.P.	–	215	215	*Citybond Storage Serv. £1	215		–	–	–	–
–	F.P.	–	49	39	First Philipne. Inv. Tst.	40		–	–	–	–
–	F.P.	–	22	17	Do. Warrants	18		–	–	–	–
†	F.P.	–	59	57	Gartmore Emg. Pac. 10p	58		M0.1	–	0.2	–
†	F.P.	–	26	23	Do. Warrants	26	+2	–	–	–	–
150	F.P.	–	145	139	Goldsmiths Grp. 10p	139		R5.1	1.8	4.9	12.9
$100	F.P.	–	108	103	Grosvenor Dev. Cap.	108	+1	–	–	–	–
¶38	F.P.	–	43	38	*Image Store Hldgs. 10p	41	–1	–	–	–	–
§	F.P.	–	600	456	JF Philippine Fd $1	458	+2	–	–	–	–
§	F.P.	–	265	193	Do. Warrants	207		–	–	–	–
†	F.P.	–	665	616	Kyowa Bank Y50	646	–7	Q14%	4.7	0.5	46.5
100	F.P.	–	103	99	Lon. & New York Cv. Tst.	100		N6.38	–	8.5	–
$10.5	F.P.	–	660	609	Malaysian Smlr. Co's Fd.	636		–	–	–	–
§	F.P.	–	299	233	Do. Warrants	296		–	–	–	–
–	F.P.	–	35	22	Merlin Intl Green Wrnts	33	–2	–	–	–	–
¶75	F.P.	–	78	66	‡Micklegate Group 1p	66		R2.25	3.4	4.5	7.7
240	100	–	190	100	Northumbrian Water	184	–3	R16.1	3.6	6.6	4.5
90	F.P.	–	93	81	Plateau Mining 20p	83	+2	–	–	–	–
†	F.P.	–	11	9½	*Polysource Hldgs. 5p	9½	–½	–	–	–	–
240	100	–	157½	100	Severn Trent	144½	–3	R14.85	3.0	7.0	4.8
¶25	F.P.	–	40	25	‡Storm Group 1p	35	–1	–	–	–	56.5
†	F.P.	–	16½	12½	‡Surrey Group 5p	14½	+½	R0.23	3.3	2.1	13.6
†	F.P.	–	195	195	Sutton Dist. Water A 1p	190	–5	–	–	–	–
†	F.P.	–	138	130	Do. B 1p	138	+3	–	–	–	–
£2400	£1000	–	£1675	£1000	Water Package Units	£1618	–22	–	–	–	–
240	100	–	186	100	Yorkshire Water	175	–1	R15.42	2.4	6.5	7.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	117p	116p	BZW Conv. Inv Tst. Units '96-2002 5p	116	
-	F.P.	-	85p	71p	Bear Brand 10¼pc (Net) Cv.Cu.Pf	73p	-1
98.94	F.P.	-	99⅞	93⅞	British Inv. Tst. 11¼pc Sec. Db 2012	93⅞	+⅛
89.65	£30	-	30½	28¼	Brixton Ests. 10½pc 1st Mtg Db 2012	28¼	+¼
¶99.68	F.P.	-	100½	94⅛	Foreign & Col. 11¼pc Db. 2014 £100	94⅛	-1⅛
§	£50	-	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	54½	
100	F.P.	-	100	97	Domitech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
280	F.P.	5/3	307	292	Cook (Wm.) 20p	294	
110	F.P.	5/3	124	118	Fisher (A.) 5p	123	
216	Nil	–	26pm	16pm	‡Norfolk House 5p	26pm	
90	Nil	–	3pm	¼pm	Plateau Mining 20p	¼pm	
670	Nil	–	114pm	79pm	Rank Organisation	84pm	-3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 5
- Last Dealings Feb 16
- Last Declarations May 10
- For settlement May 21

For rate indications see end of London Share Service

Calls in Amstrad, Astec (BSR), Aviva Pet., Boddington, Bula Res., Delta, Ferranti, Gaelic Res., Hambros, Ketson, Priest Marians, STC and Wilton. Put in News Corp. Put and Call Tuskar Res.

Scottish Equitable buys Royal Bank stake

By David Barchard

SCOTTISH Equitable Life Assurance Society yesterday bought 28m shares in the Royal Bank of Scotland Group from the Kuwait Investment Office boosting its stake to 5.02 per cent. The purchase looked to the markets like a defensive move by a friendly shareholder.

News of the purchase came after a morning in which Royal's shares had fluctuated wildly. At one point they reached 227p but quickly fell back to around 200p. After Scottish Equitable's announcement they fell 7p to 203p.

Royal said that the KIO had cut its stake from 6.06 per cent to 2.34 per cent.

Mr Charles Winter, group chief executive, said he welcomed the Scottish Equitable purchase which would strengthen the bank's independent position.

Scottish Equitable and Royal Bank have been forging closer links for the last six months. They set up a joint life assurance venture last autumn, in which Royal holds 51 per cent, to sell insurance products.

Meanwhile the bank dismissed recent reports that it could face serious problems over its funding of leveraged buyouts following the failures of two of its leading corporate clients within the last two weeks; Response, the textile manufacturing buyout from Coloroll, and Dominion International.

"We have £750m in total possible exposure to LBOs, most of which is with businesses which are doing well and where the LBO was taken out many years ago and is now well established," said the bank.

Analysts estimate that up to £70m of the LBO exposure could be at risk. Royal Bank said that it had included substantial provision for bad debt in its results for the year ending last September, announced in early December.

● The Department of Trade and Industry said yesterday that would not refer the acquisition of Yorkshire Bank by National Australia Bank to the Monopolies and Mergers Commission.

See Lex

Craton Lodge decides against FTC acquisition

By Philip Coggan

Craton Lodge & Knight, the product development group, has abandoned plans to acquire FTC, a publishing and marketing company. The deal would have taken the form of a reverse takeover of the loss-making Craton.

Shares in Craton were suspended at 43p in October pending completion of the deal. However, they will stay suspended as Craton is trying to make a further acquisition and raise capital.

Craton was floated on the USM in October 1984. In the six months to March 31, 1989, the group reported a loss of £587,000 owing to the cost of developing markets in the Eastern European bloc.

Cluff Resources

USM-quoted Cluff Resources is to reduce its shareholding from 46 to 39 per cent in Cluff Resources Pacific, although it will remain CRP's largest shareholder.

CRP, which is quoted on the Australian Stock Exchange, is to raise A$4.8m (about £2.3m) by way of a one-for-five renounceable rights issue. Shares are priced at 20 cents each.

Testing time for an industry with mettle

Engineering groups are in good shape to weather a downturn, reports Nick Garnett

MANAGERS in the UK's biggest engineering companies might be forgiven for having a smirk on their faces these days.

Their companies were the ones that really caught it in the teeth during the recession of the early 1980s. Burdened by weak demand, a grossly overvalued pound and their own inefficiencies, those that survived were forced to struggle for several years without too much sympathy from the rest of the corporate community.

Right now, it is the consumer side of British industry that is taking the pasting. As retailers and manufacturers of household goods wallow knee-deep in profit warnings, sell-offs and financial restructuring, many of the larger engineering groups are taking a relatively relaxed view of things.

Their half-yearly figures were generally good and analysts are expecting most full-year figures – with Vickers first in the starting-blocks this month – to be quite healthy. Earnings growth for most engineering stocks is still expected by most analysts to exceed the average for the market.

Not only will engineering be last in the cycle if there is a substantial downturn, but the way the big groups have changed over the past decade might make them largely immune from any localised trading downturn within the UK.

There are several reasons for this.

One is the shift in where their sales are made. Only 41 per cent of the turnover of the 20 largest engineering stocks is now derived from the UK, according to a report just published by County NatWest, the merchant bank. Five years ago the figure was 47 per cent and at the start of the last decade it was well above 50 per cent.

For some companies, this shift is much more marked. APV, Lucas Industries and Rolls-Royce, together with Siebe, T&N, Smiths Industries and the TI Group depend on the UK for between 19 per cent and a third of their sales.

At the same time, many of these companies are much less sensitive to labour cost pressures than they were, and certainly in comparison with retailing.

Manufacturing specialists at a recent conference at Strathclyde University suggested that labour costs for many engineering-related companies were now only between 5 and 15 per cent of total costs.

Despite a weakening in their overall financial position over the past 18 months, most large engineering groups are in better financial health than when they faced the last recession.

These positive features in the sector have been underscored by demand trends over the past month or so. After slipping by about 5 per cent before the end of the year, steel demand in the UK has levelled off, according to British Steel.

UK machine tool suppliers, while continuing to express concern about uncertainties among potential purchasers, are still expecting a small amount of real growth in the market. This is despite a production fall of 7 or 8 per cent this year predicted for the UK car industry, a main purchaser of engineering products.

This relatively upbeat view has to be tempered by some worries, some short- and some long-term.

Some of the largest stocks are still over-dependent on the UK. For example, Babcock International obtained 62 per cent of its total sales in the UK for the last full year, according to County NatWest, and for Glynwed the figure was 78 per cent. Glynwed, like a number of other engineering-related companies, is also much more sensitive to demand in consumer-type industries. Weaker demand there will eventually feed into engineering.

Exposure to the domestic market is also much more pronounced among second tier quoted engineering stocks. A County NatWest list of 26 selected smaller engineering companies shows that 14 of them depend on the UK for more than 60 per cent of sales. Some very small non-quoted engineering businesses have already gone under.

GEOGRAPHICAL BREAKDOWN OF TURNOVER
Latest report & accounts

Company	UK %	USA %	Europe %	UK £m	USA £m	Europe £m
APV	19	31	30	295	232	284
BAe	38	10	22	2,158	541	1,271
Babcock Int	62	–	8	324	–	41
BBA	28	32	23	287	232	318
British Steel	66	3	21	3,248	164	817
Davy	53	16	11	511	159	103
Dowty	49	28	15	285	180	107
FKI	36	56	7	267	416	48
GKN	42	19	33	985	780	446
Glynwed	78	11	8	653	92	66
IMI	50	16	26	455	146	233
Jaguar	29	44	14	309	468	151
Johnson Matthey	20	37	21	283	536	305
Lucas Industries	34	22	35	748	470	758
Rolls-Royce	25	37	21	489	728	414
Siebe	15	41	22	177	496	265
Smith Inds	28	40	15	183	263	103
T&N	33	12	33	543	98	221
TI Group	23	39	28	220	378	271
Vickers	40	24	26	312	186	205
Totals				12,732	6,565	6,431
% of turnover of top 20 engineering stocks				41	21	21

Source: County NatWest

Sales figures for large and small quoted engineering companies in aerospace equipment supply will also have been affected adversely, though temporarily, by recent labour disputes at British Aerospace and Rolls-Royce.

Companies not strongly exposed to the UK point to the continuing strong demand for engineering products in West Germany and France as an important motor for the overall European engineering market. This would be more than offset however, if there was a widespread recession in the US and the UK.

Another negative factor, according to some consultancies, is that British companies, including some in engineering, have reacted wrongly to the present bout of general uncertainty.

PA, for example, says that in recent months there has been an abrupt switch from requirements for help in long-term strategic planning to requests for assistance on short-term profit improvement. "That has usually meant trying to get the head-count down quickly," says one PA manager.

Whatever the short-term outlook on sales and profits, one feature is likely to keep engineering companies on their toes. Even some of the biggest British engineering companies have yearly sales of little more than £1bn, which is very small in international terms. Over the next year or two, some are almost certain to fall prey to foreign takeover.

One sector where analysts expect this is automotive components. Faced with a declining domestic market, US automotive component makers are being tipped as the likely buyers.

TVS share price drops 15p

By Raymond Snoddy

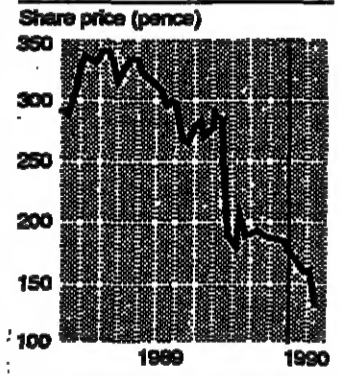
THE SHARES of TVS Entertainment, the ITV franchise holder for the south of England, which owns MTM, the loss-making US production arm, dipped by 15p yesterday after market rumours – denied by the company – that it planned to pass its final dividend.

Shares fell to 131p, suggesting that confidence in TVS was still a little fragile because of the problems at MTM, the company where past successes have included Lou Grant and Hill Street Blues.

Last September when TVS first revealed that it was suffering substantial losses at MTM because of the contraction of the secondary syndication market in the US (the sale of former network shows to independent stations), TVS shares fell from 261p to 192p.

TVS

Share price (pence)



The only comment TVS would make yesterday was: "The directors know no reason why the share price behaved as it did this morning."

However TVS did add that on January 16 it said that the board would not decide on a final dividend until April because the company was changing its year-end from October to December.

At that time Mr James Gatward, chief executive, announced pre-tax profits of £13.7m for the year to October 31 compared with £26.1m the previous year. This was largely because of losses at MTM.

Early's denies share buys led to third party talks

By Clare Pearson

EARLY'S OF Witney, the blankets and bed-linen manufacturer, in which Grovewood Securities has built up a 19.5 per cent stake, says it has approached other parties with a view to a deal that might result in a full offer for the company.

It also plans early next week to meet Grovewood, the packaging, engineering and property group which changed its name from Nash Industries last year, to talk about the stake which has been built up over the last two months.

Witney, which is 29.9 per cent owned by Clayhithe, the investment company, owns just over 56 acres of land surrounding its Oxfordshire headquarters in addition to its textile manufacturing activities.

On approaches to other parties, Mr Paul Golby, managing director, denied they were prompted by the Grovewood share buying. "We have realised for some time that we are a relatively small company both in property and textiles, and opportunities might be better exploited if we worked with others," he said.

Early's shares closed 34p up at 269p yesterday valuing the company at £15.7m. Last December, when Grovewood started buying, they touched a 12-month low of 132p.

Mr David Holland, who took over as chairman of Grovewood when he injected some industrial property interests into it last summer, said yesterday: "We have an interesting investment and are awaiting developments." He said he was familiar with Early's because Grovewood had a construction and development subsidiary in the same area.

Early's incurred a £609,000 pre-tax loss (£101,000 profit) for the six months to July 29. It has since sold some land.

Mr Golby said Early family members held a total interest in excess of 10 per cent.

Brierley raises Wm Low holding to 17%

By Nikki Tait

Steady stake-building in William Low, the Scottish food retailer, by IEP Securities, part of Sir Ron Brierley's group of companies, has taken its holding to 17.08 per cent.

IEP, which first declared a holding in 1987, said yesterday that it had bought two significant blocks from institutional holders. In November it increased its stake from about 10 per cent to 13 per cent.

There was no particular significance to the latest increase, IEP said, merely that it had been offered the shares. "We see Low as a good investment when shares become available." The company denied that it had any specific longer-term intentions.

Low, meanwhile, described the increased holding as consistent with IEP's previous stance, adding that it had a good relationship with its largest single shareholder.

Falcon Res re-financing plans are 'advanced'

By Philip Coggan

FALCON RESOURCES, the oil and gas company which has had its shares suspended since October 1985, has written to shareholders stating that re-financing proposals to raise £4.75m "are at an advanced stage".

The company has called an extraordinary general meeting on March 30 to discuss the proposals.

Annual reports for 1985, 1986 and 1987 filed at Companies House last October showed that the group's losses had wiped out its shareholders funds. Mr Anthony Alderton, who is stepping down as chairman but will remain chief executive, said in the letter that the company "has not had the financial resources to pay for the printing and despatch to some 5,700 shareholders of full and detailed information" including the accounts.

Mr Alderton added: "Falcon is not even in a position to pay for the printing of this letter and Mr Hoskinson [a fellow director] and I have personally incurred expenditure . . . to the extent of some £160,000 which has been used to audit Falcon's accounts."

Mr James Butterfield, has become Falcon's new chairman. He is also chairman of Platon International, an electronics group.

The 1985-7 accounts were heavily qualified by Ernst & Young, the auditors, but the directors said that, if the refinancing package was completed, they were confident that the qualifications concerning the DTI inquiry "and other matters" should not appear in the 1988 and 1989 accounts.

A DTI inquiry was launched in 1989 under Section 447 of the 1985 Companies Act which enables the Secretary of State for Trade & Industry to demand books and papers from a company.

Reorganised Summer at £1.51m after disposals

By John Thornhill

SUMMER INTERNATIONAL, the educational and training group, reported pre-tax profits of £1.51m in the year to September 30 on turnover of £16.95m. This figure included £606,000 in exceptional profits gained from property disposals.

Earnings per share were 10.4p. A recommended final dividend of 0.5p brings the total to 1p, the first payments for eight years.

In the last reported financial period, covering April 3 1988 to September 30 1988, Summer incurred a loss of £151,000 on turnover of £3.32m.

During the last year Summer substantially reorganised its businesses. In May it sold Language School Holdings, which trades as Linguarama, to BPP Holdings.

This January, it bought American Hi-Tech which owns three vocational training schools in New York. The acquisition is expected to have an adverse effect on Summer's earnings in the first half of the current year and the company is expecting a small trading loss for the six months to March 31. But it will at least maintain the dividend and expects to benefit greatly in the longer term.

Goldsmiths closes at 11p discount on debut day

By Clare Pearson

SHARES IN Goldsmiths Group, the jewellery retailer which has joined the market via an offer for sale, closed at 139p, a discount to the 150p issue price at the end of debut market dealings yesterday.

There was a lacklustre public take-up of Goldsmith's £32.89m offer for sale, with over 30 per cent of the shares left with the underwriters.

It also came against the background of a falling stock market where the FT-SE 100 Index closed 17.4 points down at 2313.6.

At the issue price, the shares had been seen as fully-priced on a pro forma prospective p/e of 11 for the year to March 3. This made them more expensive than fellow listed jeweller, Ratners. The offer was 78 per cent of the enlarged capital.

Goldsmith's flotation marks a return to the stock market after a three year absence. Acquired by the Swedish cosmetics group Oriflame in 1987, it was sold on to the management for £32m the next year. The company has been concentrating on the middle and upper-end of the jewellery market.

Sock Shop blames hot weather and strikes

By Maggie Urry

THE EXTENT of interim losses at Sock Shop International, the hosiery retailer headed by Ms Sophie Mirman, was revealed yesterday when figures for the six months to the end of August, were released.

The group's discussions over a refinancing package are continuing. No interim dividend will be paid and the company said a final dividend was unlikely.

A special meeting of shareholders is to be held in mid-March. This is necessitated by a provision of the Companies Act, as net assets are now worth less than half the called-up share capital, of £1.1m. Shareholders are obliged to meet to consider "whether any steps should be taken to deal with the situation". It is hoped that the refinancing package will be put to shareholders then.

Pre-tax losses reached nearly £4m in the half year to the end of August, with £1.1m of that relating to the 17 shops in the US which were closed after Christmas. That compares with a group profit of £630,000.

The group also forecast that a £4.8m write-off would be needed for the full year relating to the US business. That figure covers trading losses, including the first-half loss, up to the point at which the shops were closed and lease guarantees which the company was required to honour.

Analysts said the group would have negative net worth in the next balance sheet. At the start of the financial year net assets stood at £5.9m but had been eroded by the interim retained losses from continuing operations of £1.8m and further losses in the second half as well as the £4.8m US write-off.

Ms Mirman said that the hot weather and the transport strikes last summer drastically affected the UK business. The rise in interest rates meant that interest charges on borrowings, which were nearly £12m at the start of the financial year and now stood at £16m, had risen.

Sophie Mirman: new ranges of accessories planned

The continuing operations incurred a pre-tax loss of £2.9m in the first half despite higher sales at £13.3m, helped by the store opening programme. At the start of the financial year the group had 97 shops, excluding the US business, and 12 more have been opened since.

Excluding the US business, the group has traded profitably in the second half, but the interest charges will mean a material loss for the year, Ms Mirman said.

She said the current year would be one of consolidation in the UK, but she hoped that after the refinancing package was arranged, some expansion in Europe would take place, perhaps through franchises. The planned installation of an electronic point of sale system should eventually have "tremendous benefits" for the group, she said.

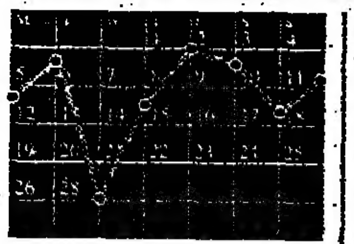
New ranges of co-ordinated accessories to go with the socks are being introduced. Ms Mirman said that last summer the shops did not have a wide enough range of goods which would appeal to bare-legged shoppers and make up for the shortfall in sales of tights and socks.

See Lex

Johnson Matthey

Johnson Matthey, the precious metals and advanced materials group, has paid FFr10.5m (about £1.1m) to boost its shareholding in Matthey Beyrand, its French subsidiary, from 60 to 80 per cent.

MB produces lithographic and screen-printed transfers for decorating ceramics and glass. It has just completed a £1.5m investment programme at its plant in Limoges.



ECONOMIC DIARY

TODAY: Both houses of Pakistan's parliament meet in joint session to discuss Kashmir situation.

TOMORROW: East German National Democrats reconvene congress to vote on leadership.

MONDAY: CBI/FT survey of distributive trades (January). Retail sales (January-provisional). Producer price index numbers (January-provisional). European Communnity economic and financial council meets in Brussels. Start of two-day meeting of the European Communnity farm ministers. Mr Ernest Saunders and three others on trial over Guinness affair. Financial Times conference "Commercial aviation in the Asia-Pacific region to the end of the century and beyond" in Singapore. 23-nation conference in Ottawa on "Open skies" agreement (until 28th).

TUESDAY: US retail sales (January). Mr Hans Modrow, East German Prime Minister, visits Bonn for talks with Mr Helmut Kohl, West German Chancellor (also 14th). NFU annual meeting.

WEDNESDAY: Index of output of the production industries (December). US business inventories (December). Argentina and Britain hold high level talks in Madrid on restoration of diplomatic relations. Soviet Parliament in session. COCOM executive committee meets in Paris.

THURSDAY: Capital expenditure by the manufacturing and service industries (fourth quarter provisional). Labour market statistics: unemployment and unfilled vacancies (January provisional); average earnings indices (December-provisional); employment, hours, productivity and unit wage costs; industrial disputes. US housing starts (January). Mr George Bush, US President, attends anti-drug summit in Columbia. EC-ASEAN ministerial meeting in Kuching.

FRIDAY: Usable steel production (January). Public sector borrowing requirement (January). Retail prices index and tax and price index (January). US merchandise trade (December) and industrial production and capacity utilization (January).

LONDON TRADED OPTIONS

THE MARKET was quiet yesterday. Investors again appeared reluctant to commit themselves, as the stockmarket continued to move uncertainly.

Indeed, the London Traded Options Market, had one of its slowest days so far this year, though there were some features in a limited number of stocks. In particular, Asda, Ladbrokes, and United Biscuits were more actively traded. But the FT-SE 100 index stock option remained thinly dealt and institutions were not in the market.

The LTOM traded a total of 23,768, of which 13,323 were calls and 10,445 were puts. Yesterday's total compared with a turnover of 28,715 contracts on Thursday.

The FT-SE index option was the busiest, trading a total of 4,296, up slightly on Thursday, though dealers said the market had been quiet. Yesterday's total was divided between 1,123 calls and 3,173 puts.

Dealers said the market had focused on the brisk trade in the FT-SE futures market, though it failed to provide extra business for the options market. Institutions were said to be active sellors of the futures index, which helped to depress the cash market.

Among the stock options, Asda was the busiest, trading 1,813 contracts. This included 1,733 calls and 80 puts, with the October 110 call series the busiest, turning over 1,650 lots. The stock finished 2 lower at 108p on a turnover of 4.1m shares. Trading was boosted by a purchase of 1,640 contracts by BZW of the October 110 calls at 16p.

Other stocks that featured included Amstrad, where 1,645 lots changed hands. The March 50 calls was the busiest series, trading 565 lots.

Ladbroke traded 1,556 contracts, of which 1,124 were calls and 432 were puts. The July 280 call series was the busiest trading 552 lots.

United Biscuits was also active, as 1,102 lots changed hands. This was divided between 552 calls and 550 puts. The October 330 put series the busiest, trading 350 contracts.

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Allid Lyons (*474)	460	43	53	70	9	18	19
	500	18	31	45	27	37	38
	550	5½	14	27	73	73	73
ASDA (*106)	100	13	18	22	4½	6	9½
	110	8	14	16	9½	11	14
Brit. Airways (*197)	180	24	28	32	5	7	8
	200	12	15	22	11	16	18
	220	4½	8	14	25	29	30
Brit. Com (*72)	70	10	12	15	7	10	12
	80	6	8	12	12	15	18
SmKl Beecham A (*542)	500	58	73	88	8	12	15
	550	26	42	58	26	30	35
	600	10	22	36	60	62	65
Boots (*274)	260	26	34	40	5	11	13
	280	14	21	29	15	19	21
B.P. (*342)	300	46	52	60	2	4	6
	330	23	36	38	6½	12	15
	360	7½	15	23	23	27	30
British Steel (*134)	130	–	12½	15	–	5½	7½
	135	7	–	–	4	–	–
Bass (*978)	950	75	103	130	16	25	27
	1000	44	78	105	37	44	47
C & Wire (*550)	500	70	87	107	8	15	19
	550	37	53	75	25	35	38
	600	16	33	–	57	65	–
Courtaulds (*387)	360	42	51	59	7	15	17
	390	22	32	41	16	24	28
	420	10	18	–	37	43	–
Com. Union (*494)	460	39	57	68	9	15	18
	500	17	33	44	29	32	35
GKN (*396)	390	23	38	47	20	25	25
	420	12	25	35	35	40	50
Grand Met. (*593)	550	65	85	100	7	12	18
	600	32	55	68	27	28	34
I.C.I. (*1080)	1050	60	94	112	40	50	60
	1100	33	69	87	67	77	85
	1150	17	50	–	107	102	–
Kingfisher (*276)	260	28	31	39	5	10	12
	280	15	20	28	13	18	22
Ladbroke (*301)	300	19	25	36	11	17	19
	330	6½	13½	24	29	34	36
Land Secur (*490)	460	56	57	70	5	12	15
	500	25	32	47	21	27	34
M & S (*206)	200	17	21	28	5	7½	9
	220	6½	11½	17	16	17	19
	240	2	–	–	35	–	–
STC (*259)	240	25	36	43	9½	14	17
	260	14½	25	32	19	22	27
Sainsbury (*259)	240	30	35	43	4	5	7
	260	15	21	29	9	13	15
Shell Trans. (*482)	460	32	50	60	12	18	23
	500	12	28	35	35	37	45
Storehouse (*111)	110	10	14	17	6½	10	12
	120	6	10	12	12	17	17
Trafalgar (*335)	330	28	35	47	13	20	25
	360	14	22	32	30	40	40
Utd. Biscuits (*336)	330	21	31	40	14	17	18
	360	8	17	26	36	36	37
Unilever (*654)	650	32	54½	76¼	19½	26½	26½
	700	10½	29	49	51	53½	55½

Option		CALLS Apr	Jul	Oct	PUTS Apr	Jul	Oct
Ultramar (*371)	360	25	45	55	15	18	22
	390	15	27	38	30	33	35
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit Aero (*535)	500	40	57	75	1½	20	24
	550	8	30	48	19	42	50
BAA (*374)	360	23	38	47	3	11	16
	390	5	21	29	17	23	29
BAT Inds (*806)	800	21	58	83	11	30	38
	850	5½	35	57	44	54	67
BTR (*430)	420	15	32	47	3	18	20
	460	1½	15	28	34	41	43
Brit. Telecom (*305)	280	26	38	45	1	4	7
	300	9	23	30	4	9	12
	330	1	9½	14½	26	27	28
Cadbury Sch (*339)	330	14	27	40	5½	16	19
	360	3	16	28	24	35	37
Guinness (*640)	600	43	60	82	2	15	17
	650	8	30	50	18	34	37
GEC (*225)	220	8½	20	26	3	7	11
	240	1¼	10	15	17	18	21
Hanson (*230)	220	10½	22½	27½	1	5	8½
	240	1	10½	17	12	14	17
LASMO (*618)	600	27	57	78	8	25	32
	650	6	30	52	38	52	57
P. & O. (*603)	600	13¼	36½	57	8¼	28¼	32¼
	650	2	16¼	32¼	49½	62	63¼
Pilkington (*220)	220	6	19	22	6	10	14
	240	1½	10	13	22	25	26
Prudential (*213)	200	15	20	26	2½	7	10
	220	3	10	16	11	17	20
Racal (*220)	220	–	–	26	–	–	16
	230	3	15	–	13½	18	–
R.T.Z. (*505)	500	–	35	50	–	24	27
	542	4	–	–	39	–	–
Scot. & New (*325)	300	27	45	52	2½	8	15
	330	8	27	33	13	25	28
Tesco (*197)	180	18½	24½	31½	1	3¼	4½
	200	3	12	18¼	5½	10½	12½
Option		**Mar**	**May**		**Mar**	**May**	
Ferranti (*40)	40	4½	7	–	5	6	–
	45	3	5½	–	8	8½	–
Option		**Apr**	**Jul**		**Apr**	**Jul**	
Jaguar (*849)	800	–	32	–	½	½	–
	850	½	½	–	–	1	–
Option		**Feb**	**May**		**Feb**	**May**	
Plessey (*268)	260	11	–	–	½	–	–
	280	¼	¼	–	–	–	–
Option		**Mar**	**May**	**Aug**	**Mar**	**May**	**Aug**
Polly Peck (*413)	390	38¼	49½	66	8¼	18½	23
	420	20½	33¼	49¼	21½	32¼	37½
Thames Water (*155)	140	18	22	27	½	2	7
	160	5½	10½	15	8	11	16
	180	1½	4½	–	26	26	–
Water Hldg Pkg (*1615)	1600	80	130	160	45	65	110
	1650	50	100	130	65	80	140
	1700	35	75	110	95	100	170
Option		**Feb**	**Apr**	**Jun**	**Feb**	**Apr**	**Jun**
Reuters (*1050)	1050	26¼	68¼	95½	21½	47¼	54¼
	1100	13	45½	71¼	56¼	76¼	81¼

Option		CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
Abbey Nat. (*184)	180	10	17	19	8	10	12
	200	2	7	11	25	24	27
Amstrad (*54)	50	7	10	16	3½	6	7½
	60	3	8	11	9	11	15
Barclays (*563)	550	23	45	53	19	25	33
	600	4	21	31	55	55	60
Blue Circle (*234)	220	22	26	33	3½	10	12
	240	–	14	23	–	20	22
British Gas (*226)	220	12	22	25	4½	7	10
	240	2½	10	12	17	18	20
Dixons (*127)	120	11	17	19	2	5½	6½
	130	4½	11	14	6½	10	12
Glaxo (*700)	700	30	56	78	20	34	37
	725	18	43	–	35	47	–
Hawker Sidd. (*647)	600	75	95	–	7	15	–
	650	30	58	85	20	37	45
Hillsdown (*265)	260	16	25	35	6½	10	16
	280	6½	14	25	19	25	26
Lonrho (*284)	280	17	31	41	8	15	19
	300	9	23	30	20	25	28
Midland Bk (*368)	360	21	32	43	20	23	32
	390	7	21	28	42	45	52
R. Royce (*176)	160	20	23	28½	1½	6	7½
	180	6½	12	18	10	14	17
Sears (*103)	100	7	10½	13	3¼	6	8
	110	3	6½	9	9	12½	13
THF (*284)	280	15	20	31	8	15	18
	300	6	12	21	20	26	28
Thorn EMI (*767)	750	38	72	80	14	25	35
	800	14	44	52	37	47	60
TSB (*141)	140	5	9	14	8	9	11
	160	2	4	6	24	25	25
Vaal Reefs (*$131)	130	9	16	20	10	14	17
	140	6	12	16	16	20	23
Wellcome (*693)	650	68	98	–	11	30	–
	700	33	67	100	35	50	55

EURO FT-SE INDEX (*2313)	2225	2275	2325	2375	2425	2475	2525	2625
CALLS								
Mar	118	85	60	40	25	15	9	–
Jun	175	–	118	–	75	–	43	24
Sep	220	–	165	–	117	–	80	53
Dec	260	–	205	–	155	–	115	85
PUTS								
Mar	28	45	65	94	128	168	210	–
Jun	50	–	83	–	132	–	197	275
Sep	65	–	95	–	135	–	187	153
Dec	72	–	97	–	135	–	182	237

FT-SE INDEX (*2313)	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Feb	216	167	122	78	42	20	7½	3
Mar	232	188	145	106	73	49	30	18
Apr	–	–	165	128	97	70	50	34
May	–	–	183	145	113	86	65	47
Jun †	282	–	203	–	135	–	85	–
Dec †	–	–	290	–	225	–	170	–
PUTS								
Feb	3	5	8	16	33	61	103	148
Mar	10	16	24	34	52	79	113	152
Apr	–	–	33	44	63	88	116	155
May	–	–	41	53	72	95	128	165
Jun †	26	–	43	–	78	–	128	–
Dec †	–	–	73	–	106	–	154	–

February 9 Total Contracts 23,768
Calls 13,323 Puts 10,445
FT-SE Index Calls 1123 Puts 3173
Euro FT-SE Calls 253 Puts 59
*Underlying security price. † Long dated expiry months

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Fri Feb 9 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Feb 8 Index No.	Wed Feb 7 Index No.	Tue Feb 6 Index No.	Year ago (approx) Index No.	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (203)	882.52	-0.8	12.88	4.83	9.46	1.34	889.91	884.84	888.84	910.71	1012.97 18/8/89	775.54 3/1/89	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (27)	1087.60	-0.9	14.48	5.19	8.61	0.36	1097.15	1089.39	1088.30	1140.01	1287.14 19/5/89	939.86 3/1/89	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (37)	1499.71	-0.6	16.47	5.25	7.95	0.14	1508.31	1506.09	1510.45	1676.18	1801.66 14/3/89	1306.13 27/10/89	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2532.53	-0.7	10.63	4.91	11.83	0.00	2551.11	2542.36	2562.46	2670.36	3040.80 8/9/89	2294.30 3/1/89	3040.80 8/9/89	84.71 25/6/62
5	Electronics (30)	1926.53	-0.4	9.33	3.74	13.86	9.76	1934.01	1905.30	1918.20	2045.95	2388.22 19/5/89	1776.44 3/1/89	2388.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	439.70	-1.6	13.75	5.02	8.93	0.04	446.89	447.02	449.61	0.00	495.50 4/1/90	439.70 9/2/90	495.50 4/1/90	439.70 9/2/90
7	Engineering-General (44)	470.75	-0.8	11.92	5.01	10.10	0.34	474.67	474.32	475.84	0.00	502.82 4/1/90	470.75 9/2/90	502.82 4/1/90	470.75 9/2/90
8	Metals and Metal Forming (6)	470.15	-0.9	25.08	6.40	4.50	0.00	474.38	471.12	472.88	521.34	562.47 19/5/89	439.27 27/10/89	596.47 9/10/87	49.65 6/1/75
9	Motors (16)	365.62	-1.2	14.50	5.77	8.09	0.00	369.99	370.62	370.66	309.72	403.90 4/1/90	258.24 3/1/89	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (25)	1589.49	-1.0	10.62	4.54	10.93	3.00	1604.76	1596.97	1611.28	1528.45	1881.53 18/8/89	1311.63 3/1/89	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (177)	1259.37	-0.8	8.97	3.78	13.91	2.10	1269.93	1260.59	1264.56	1182.50	1417.92 4/9/89	1016.74 3/1/89	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1460.88	-1.5	9.57	3.60	12.90	6.54	1483.35	1475.30	1477.05	1274.53	1583.71 5/9/89	1112.42 3/1/89	1583.71 5/9/89	69.47 13/12/74
25	Food Manufacturing (19)	1103.43	-1.1	9.71	4.01	12.82	1.70	1115.20	1107.81	1113.27	1061.34	1220.42 4/9/89	926.04 3/1/89	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2276.04	-1.0	8.92	3.33	14.55	3.63	2299.40	2275.95	2282.74	2052.36	2722.30 5/9/89	1784.64 3/1/89	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (13)	2456.90	-0.5	6.37	2.66	18.69	0.28	2468.48	2441.81	2465.06	2132.40	2795.49 4/1/90	1778.20 3/1/89	2795.49 4/1/90	175.38 28/5/60
29	Leisure (33)	1591.99	-0.8	8.48	3.72	14.53	0.54	1604.58	1597.23	1601.87	1581.29	1845.77 8/9/89	1346.22 3/1/89	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (13)	575.29	-1.1	12.21	5.39	10.34	0.90	581.50	580.92	582.19	594.19	623.86 4/9/89	512.34 16/10/89	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (17)	3559.92	-0.3	9.09	4.97	14.04	20.50	3570.83	3544.19	3543.00	3799.76	3916.24 8/2/89	3236.76 4/1/89	5070.66 5/10/87	55.08 6/1/75
34	Stores (31)	787.21	-0.4	11.07	4.77	11.75	0.25	790.29	785.59	781.87	794.52	921.71 4/9/89	679.97 3/1/89	1160.58 29/7/87	52.63 6/1/75
35	Textiles (13)	506.69	-0.9	11.41	5.92	10.63	0.00	511.51	507.41	511.20	515.85	586.98 21/9/89	464.71 3/1/89	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (103)	1180.76	-0.5	10.83	4.72	11.07	0.30	1186.94	1171.45	1176.13	1047.07	1233.52 3/1/90	896.15 3/1/89	1233.52 3/1/90	58.63 6/1/75
41	Agencies (17)	1594.32	....	6.57	2.09	18.72	0.05	1593.67	1568.72	1555.28	1282.80	1634.78 5/9/89	1030.84 3/1/89	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (22)	1207.85	-0.4	12.55	5.33	9.39	0.27	1213.17	1197.26	1199.71	1208.58	1378.94 11/8/89	1026.37 3/1/89	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (13)	1617.87	-1.0	11.11	6.06	10.58	0.00	1633.60	1615.75	1628.08	1491.31	1819.46 11/8/89	1254.94 3/1/89	1819.46 11/8/89	975.19 10/11/87
44	Transport (13)	2255.78	-0.7	10.73	4.26	11.88	2.88	2271.57	2259.29	2275.31	2297.28	2554.69 12/7/89	1836.25 4/1/89	2554.69 12/7/89	90.80 29/6/62
46	Telephone Networks (2)	1250.21	-0.3	10.16	4.10	12.80	0.00	1254.59	1224.59	1236.31	1096.69	1290.72 3/1/90	1002.43 3/1/89	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	1991.79	-0.8	17.50	6.80	6.33	0.00	2007.58	2005.53	2010.88	0.00	2025.30 5/2/90	1951.04 16/1/90	2025.30 5/2/90	1951.04 16/1/90
48	Miscellaneous (26)	1878.82	-0.4	9.46	4.38	11.92	0.91	1886.14	1871.20	1868.49	1444.83	2087.06 11/7/89	1183.56 5/1/89	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (483)	1154.86	-0.7	10.52	4.33	11.63	1.37	1163.40	1153.25	1157.57	1092.59	1273.71 5/9/89	935.74 3/1/89	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (17)	2429.32	-0.3	8.86	4.69	14.91	6.21	2436.97	2409.01	2427.17	1911.83	2475.71 2/1/90	1725.77 3/1/89	2475.71 2/1/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1260.56	-0.7	10.28	4.39	12.01	1.75	1269.18	1257.52	1262.93	1162.57	1355.68 5/9/89	1002.81 3/1/89	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (114)	831.09	-0.6	–	5.12	–	0.35	836.22	831.68	840.30	761.74	869.47 3/1/90	670.86 3/1/89	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	883.27	-0.7	19.39	5.68	6.78	0.00	889.38	883.26	891.43	769.15	918.30 2/2/90	657.74 3/1/89	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1378.19	-0.8	–	4.82	–	0.00	1389.21	1400.26	1414.14	1052.52	1484.67 3/1/90	933.96 5/1/89	1484.67 3/1/90	44.88 2/1/75
66	Insurance (Composite) (7)	695.16	-0.4	–	5.44	–	0.00	697.88	690.14	703.73	603.61	768.11 29/12/89	528.72 3/1/89	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (6)	1113.61	-0.8	6.63	5.66	20.07	0.00	1122.37	1116.06	1124.01	1051.20	1194.74 4/1/90	916.68 3/1/89	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (8)	501.73	....	–	3.55	–	0.00	502.02	500.23	493.43	353.08	502.02 8/2/90	318.05 3/1/89	547.59 12/10/87	31.21 7/1/75
69	Property (49)	1158.34	-0.9	7.88	3.75	16.06	0.94	1169.06	1160.62	1174.55	1317.46	1398.87 5/9/89	1126.55 17/10/89	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (28)	331.99	+0.2	12.78	6.36	10.32	1.44	331.28	330.77	332.65	387.70	391.49 8/2/89	304.56 16/10/89	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (68)	1221.99	-0.4	–	2.99	–	0.45	1226.87	1221.49	1229.89	1072.44	1323.81 4/1/90	922.04 3/1/89	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders (5)	1430.44	-0.3	10.63	6.39	11.87	30.79	1434.31	1426.30	1434.69	1439.44	1614.04 3/1/90	1255.90 17/10/89	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (687)	1156.72	-0.7	–	4.47	–	1.55	1164.32	1154.55	1160.69	1065.13	1226.83 3/1/90	921.22 3/1/89	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 8	Feb 7	Feb 6	Feb 5	Feb 2	Year ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX§	2313.6	-17.4	2323.9	2308.5	2331.0	2307.4	2321.1	2348.4	2355.1	2056.1	2463.7 3/1/90	1694.5 8/2/88	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Feb 9	Day's change %	Thu Feb 8	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.25	-0.11	115.36	–	1.39
2	5-15 years	124.57	-0.07	124.65	–	1.38
3	Over 15 years	133.54	+0.04	133.48	–	0.33
4	Irredeemables	150.82	-0.16	151.05	–	0.00
5	All stocks	124.03	-0.07	124.12	–	1.28
	Index-Linked					
6	Up to 5 years	140.69	-0.11	140.85	–	0.00
7	Over 5 years	136.88	....	136.89	–	0.64
8	All stocks	137.05	-0.01	137.07	–	0.59
9	Debentures & Loans	101.92	+0.13	101.79	–	0.35
10	Preference	81.44	+0.13	81.33	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 9	Thu Feb 8	Year ago (approx.)	1989/90 High	1989/90 Low
	British Government						
1	Low	5 years	10.72	10.72	8.91	10.86 24/1/90	8.88 9/2/89
2	Coupons	15 years	10.34	10.32	8.79	10.43 7/2/90	8.77 9/2/89
3		25 years	10.22	10.20	8.75	10.31 7/2/90	8.73 16/2/89
4	Medium	5 years	11.87	11.80	10.04	11.98 24/1/90	9.96 8/2/89
5	Coupons	15 years	10.72	10.72	9.26	10.83 7/2/90	9.21 8/2/89
6		25 years	10.33	10.33	8.92	10.44 7/2/90	8.85 17/2/89
7	High	5 years	12.01	11.95	10.19	12.11 24/1/90	10.13 8/2/89
8	Coupons	15 years	10.91	10.92	9.46	11.03 7/2/90	9.41 8/2/89
9		25 years	10.45	10.47	9.07	10.58 7/2/90	8.99 27/1/89
10	Irredeemables†		10.26	10.24	8.75	10.33 7/2/90	8.68 15/3/89
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.33	4.28	3.57	4.33 7/2/90	2.75 21/8/89
12	Inflation rate 5%	Over 5 yrs.	3.83	3.82	3.58	3.84 7/2/90	3.41 21/8/89
13	Inflation rate 10%	Up to 5 yrs.	3.44	3.39	2.75	3.44 9/2/90	1.91 21/8/89
14	Inflation rate 10%	Over 5 yrs.	3.66	3.66	3.42	3.67 5/6/89	3.23 21/8/89
15	Debs &	5 years	13.36	13.36	11.63	13.82 3/11/89	11.47 30/12/88
16	Loans	15 years	12.79	12.81	11.20	12.84 7/2/90	11.19 1/2/89
17		25 years	12.78	12.80	10.79	12.83 7/2/90	10.66 27/2/89
18	Preference†		11.40	11.41	10.04	11.41 8/2/90	10.00 17/3/89

§Opening index 2323.6; 10 am 2321.9; 11 am 2315.7; Noon 2309.8; 1 pm 2308.7; 2 pm 2310.5; 3 pm 2311.5; 3.30 pm 2309.4; 4 pm 2311.9 (a) 9.15am (b) 1.14pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Myson Group (7) and Britannia Security Group (48) have been deleted. Acsis Group (41) and Birse Group (3) have been inserted. NAME CHANGE: Britannia Arrow Holdings (70) has become INVESCO MIM.

INTERNATIONAL COMPANIES AND FINANCE

Bond wins loan reprieve but receivers stay at unit

By Chris Sherwell in Sydney

MR Alan Bond, whose debt-burdened business empire is under siege from its numerous creditors, lost an important battle on one legal front yesterday but unexpectedly won a breathing space on another.

The defeat came in Melbourne where, in a stinging judgment, the Victorian Supreme Court upheld the controversial appointment on December 29 of receivers to Bond Brewing Holdings, the group's cash-generating business which makes Swan, Castlemaine XXXX and Tooheys lager.

The judge condemned the Bond group's conduct of its case. He attacked its resort to accusations of lying and conspiracy, and said it deliberately kept from the court people with direct knowledge of the issues and as much financial and accounting information as possible.

The relief came in Sydney, where Bond Media, which operates the Channel Nine television network and a string of radio stations, learned that repayment of a A$367m (US$278m) facility could wait until March 28.

Bond Media's problem arose 10 days ago when a bank syndicate led by National Australia Bank (NAB) demanded immediate repayment. The two sides went to the New South Wales Supreme Court, but in a surprise development yesterday NAB agreed to postpone further action.

Significantly, at the end of March Bond Media is due to repay A$200m to Mr Kerry Packer, the former owner of Channel Nine. Mr Packer recently launched a hostile takeover bid for the company to recoup his money, and yesterday's moves give Bond Media extra time to restructure its finances rather than succumb.

By contrast, Mr Justice Beach's decision in the Victorian Supreme Court to stand by his appointment of receivers to Bond Brewing represented a big setback for Mr Bond.

The appointment arose from an application by another bank syndicate, also led by NAB, which claimed persistent breaches of loan covenants relating to an A$880m facility.

In a 250-page judgment the judge said he had made the order because he was satisfied it was the appropriate course to adopt. Nothing had occurred since to change his view on the matter.

"Indeed, the matters disclosed during the course of the hearing before me have simply served to reinforce the views I formed on December 29," he said.

The Bond group now wants a stay of the receivership order while it appeals against the decision to the court's full bench and, if necessary, to the High Court in Canberra.

The receivers, Mr David Crawford and Mr Charles Fear, of KPMG Peat Marwick Hungerford, reiterated last night that they remained in control of the Bond Brewing businesses and assets, and would "continue to manage them in a fashion consistent with the best interests of all parties."

Charge hits Marine Midland

By Our Financial Staff

MARINE MIDLAND Banks, the New York-based subsidiary of Hongkong and Shanghai Banking Corporation, slid into loss in its latest quarter after an unexpectedly large boost in provisions for US domestic loan losses, and its credit ratings were yesterday called into question as a result.

The US$175m charge, described as a special addition to the reserve for domestic loans, formed the bulk of total loan provisions of $263.3m, up from $102.6m. Weakness in the US market for commercial property was blamed.

The fourth-quarter net loss was $120m compared with net profits of $41m for the three months to December 1988. This dragged down full-year net earnings to just $14m from the previous $161m.

Moody's Investors Service, the rating agency, placed the bank's A3 senior debt rating under review for possible downgrade. It said this reflected its "concern with deteriorating fundamentals for Marine Midland" but said having Hongkong Bank as owner held "offsetting strengths."

Marine Midland said: "Without this special charge to profits, net income would have been $177m for 1989," adding that it increased the domestic loan loss reserves "in light of uncertainty in the economy."

The results will not necessarily impact directly on figures for 1989 expected next month from Hongkong Bank. The parent, which moved to full control of Marine Midland in late 1987, announces its profits only after undisclosed transfers to or from its substantial inner reserves.

Interest income at the US unit rose 9 per cent last year to $2.78bn but interest expenses jumped 17 per cent to $1.80bn. Income from other operations rose 25 per cent to $393m. Total assets climbed 4 per cent to a year-end $27.07bn.

Polish trading group to be privatised

By Christopher Bobinski in Warsaw

UNIVERSAL, a successful Polish foreign trade company is to be one of the first to be privatised under the Government's free market policies, according to Mr Dariusz Przywieczerski, its managing director.

Universal, once a traditional state trading organisation specialising in white goods, was turned into a joint stock company with a 51 per cent state holding in 1984. The remaining shares are held by state sector producers and retailers who trade through the company.

Last year Universal's hard currency sales were worth $175m while it imported goods worth $122m. Sales to soft currency countries amounted to 117m roubles ($198m) while soft currency imports amounted to 255m roubles.

Mr Przywieczerski says he hopes to see the 51 per cent share owned directly by the Treasury go on sale in Poland as well as abroad by May this year. He is ready to see foreign ownership of the company extend to 85 per cent.

The sale is to be managed by Bank IG, the Hungarian bank which is itself soon to be privatised and in which Universal has a 12.5 per cent shareholding. The Bank IG flotation is being advised by the London-based First Europe Equity and Bond.

The plans for Universal come as work on draft privatisation legislation is entering its final stages, with approval by the Council of Ministers before being sent to Parliament expected within two weeks.

Doubts remain, however, on how the permissible foreign share holding in privatised companies is to be regulated. Differences on who is to oversee foreign investment have also emerged between the Finance Ministry's privatisation unit and the Foreign Trade Ministry's investment agency. The extent to which profits may be transferred abroad has also still to be decided.

The privatisation unit has also been encountering pressure from representatives of the self management councils set up in industry from 1981 onwards to permit employee share ownership schemes.

Correction
New York Times

NET PROFITS from continuing operations of the New York Times Company were $68.2m in 1989. This figure was wrongly described yesterday as net profits.

Publicis seeks Eastern promise

Alice Rawsthorn on a drive by France's largest advertising agency, led by Maurice Lévy (right), to become a truly international force through expansion into the increasingly vital Asian markets

Only two years ago the executives of Publicis, the largest French advertising agency, were flying to and fro across the Atlantic to thrash out final details of a partnership with Foote Cone & Belding (FCB), one of the leading US agencies.

Now they are setting their sights further afield – on the Pacific Rim – as the two agencies begin talks with Japanese companies to extend their partnership into Asia.

The disussions are at an early stage. But links with a Japanese partner is essential if FCB and Publicis are to become a truly international force in the advertising industry.

Together they already own the largest network in Europe and the sixth largest worldwide. Yet they are peripheral players in the increasingly important Asian markets.

Only a few years ago the prospect of expansion into the Pacific Rim would have seemed remote, at best, to the Publicis executives in their Paris headquarters by the Arc de Triomphe.

Publicis has been a force in French advertising since it was founded – by Mr Marcel Bleustein-Blanchet – in the 1920s. By the mid-1980s it had established a network of European agencies and was handling large accounts – including Renault, L'Oréal and Colgate Palmolive – across the continent.

But its tiny New York agency was still too small for it to operate as an international agency in North America.

By the mid-1980s the advertising industry was becoming increasingly internationalised. The established US networks – Young & Rubicam and McCann-Erickson, part of Interpublic – were opening new offices in Europe. Three other US companies – Needham Harper, BBDO and Doyle Dane Bernbach – joined forces to form Omnicom.

Saatchi & Saatchi led the UK agencies in a string of international acquisitions. WPP Group of the UK bought two bastions of US advertising, Ogilvy & Mather and J. Walter Thompson.

Other French agencies were becoming more ambitious. Eurocom, Publicis' chief competitor in France, formed HDM when Havas, one of its agencies, joined forces with Y&R of the US and Dentsu of Japan. Publicis was in danger of being left behind.

"If you are going to be a strategic partner for an international client, you have got to be represented all over the world," says Mr Maurice Lévy, chairman and chief executive.

The first priority was the US. The problem was that Publicis could not have raised the £300m to £400m ($507m to $676m) needed to buy a big US agency without incurring huge borrowings or issuing so many shares that the founding family – which owns 75 per cent of its equity – would have lost control.

The solution arrived in the autumn of 1987 when FCB asked whether Publicis was for sale. Publicis responded by asking whether it could buy FCB. They then began discussions to create a partnership.

After many trans-Atlantic trips the two companies agreed that FCB would take 26 per cent of Publicis Conseil – the subsidiary that owns Publicis' advertising interests – while Publicis would take 20.5 per cent of FCB. The two companies would merge their agencies in Europe and Publicis' clients would have access to the FCB network elsewhere.

The interests of the two agencies were reasonably complementary; FCB was strong in North and South America while Publicis' strength was in Europe. There were also few conflicting accounts between the two companies.

Publicis then began to integrate the European agencies. In some countries, such as Spain and Italy, the FCB and Publicis agencies merged and it also acquired local agencies. In the UK, where there were potential account conflicts, the two agencies remained independent.

The reshape is now nearly completed. Publicis has just finished restructuring its West German agencies and is now studying how to strengthen its Scandinavian interests.

It is also investing in media buying. The French media buying sector has become increasingly competitive in recent years, chiefly due to the influence of Carat, the media business recently bought by WCRS of the UK.

Last year Publicis became a minority shareholder in Interplans, which owns the Idémédia buying operation. It has since centralised its media buying in France – through a new operation called Optimédia – and in other countries like Italy and West Germany.

Publicis also intends to expand in areas such as direct marketing, sponsorship and programming, possibly through acquisitions.

The partnership with FCB has enabled Publicis to steal a march on the other French agencies – Eurocom, RSCG and Boulet Dru Dupuy Petit (BDDP) – which are now redoubling their efforts to expand internationally.

One school of thought in the advertising industry says that a partnership, like that of FCB and Publicis, cannot produce the coherent international advertising campaigns that multinational companies need.

Mr Lévy is convinced the partnership has been worthwhile. He believes it would have been more difficult for Publicis to have won international business from companies like Colgate Palmolive and Johnson Wax without the FCB link.

Enskilda Research, the securities house, expects Publicis to report net income of FFr150m ($26.5m) on turnover of FFr14.5bn in 1989 and FFr180m on FFr16.5bn in 1990.

In the meantime Publicis is setting its sights on the Far East.

It is not yet certain which Japanese partner FCB and Publicis will choose or how the deal will be structured. "All we know for sure is that it will all take a very long time," says Mr Lévy.

PUBLICIS

	Sales FFr	Net profit FFr
1986	6.5bn	73m
1987	7.2bn	87m*
1988	8.6bn	123m
1989†	14.5bn	150m
1990†	16.5bn	180m

*Excludes FFr21m capital gain †Estimates
Source: Publicis, Enskilda Research

Apple appoints new president of European arm

By Louise Kehoe in San Francisco

APPLE COMPUTER has appointed a new president of its European division to replace Mr Michael Spindler, who was promoted to chief operating officer 10 days ago.

The president of Apple Europe will be Mr Soren Olsson who has directed Apple's Swedish subsidiary since 1984.

The swift appointment of a successor to Mr Spindler reflects Apple's determination to re-establish quickly stability in its fragmented management.

Australmin backs A$78m Newmont Australia offer

By Kenneth Gooding, Mining Correspondent

RATIONALISATION of the Australian gold mining industry took a big step forward yesterday when Australmin, which owns the Tuckabianna mine in Western Australia, provisionally accepted an A$78m (US$59m) cash and share offer from Newmont Australia, already one of Australia's largest gold miners.

Australmin and its two main shareholders, Australian Oil & Gas Corporation and National Investment Group, said they would accept Newmont's offer for at least 50.1 per cent of the target company "in the absence of any higher offer."

In the six months to December 31, Australmin reported an A$6m net profit compared with a loss of A$890,000 in the same period of 1988 on revenue which increased from A$2.6m to A$19.7m.

Proposed terms are one Newmont Australian share for each Australmin share; or $A1.05 cash per Australmin share plus one Newmont share for 20 Australmin shares; or a combination of cash and shares at the shareholders' election.

Quake claims knock Travelers

By Roderick Oram in New York

TRAVELERS, a leading broad-range US insurer, has reported a big fall in net profits for the fourth quarter, partly because of heavy claims following the San Francisco earthquake in October.

Net profits for the three months ended December fell to $149m or 42 cents a share, from $249.7m or $2.47 a year earlier. Total revenues were $3.2bn against $3bn, of which premiums were $1.9bn against $1.6bn and net investment income $927m against $951m.

Profits would have fallen far further but for three special gains; a $63.7m net investment gain, a $30.8m tax benefit and a $56m gain from a divestiture.

These were partially offset by a $77m charge for streamlining operations and claims losses of $20m from natural disasters. The year-earlier figure included $107m gains from asset sales and $7m from catastrophe losses.

Net profits for the full year were $455m or $4.37, compared with $55m or 44 cents a year earlier (depressed by large additions to real estate reserves). Total revenues were $12.5bn against $12.3bn. Premium income was flat at $7.8bn and net investment income was $3.6bn against $3.7bn.

With Hurricane Hugo devastating the Carolina coast in September and the San Francisco earthquake, US property insurers had a bad year. Travelers said its after-tax catastrophe losses were $86m last year, up from $21m in 1988.

The company suffered a $13m net loss on its overall property-casualty lines because of the catastrophe losses and regulatory restrictions on raising premiums to cover normal claims costs. The year-earlier loss was $29m.

Property casualty's combine ratio for the year was 116.8 per cent, up from 105.8 per cent.

Ferruzzi boosts Béghin-Say stake

GRUPPO Ferruzzi of Italy has raised its stake in the capital of Béghin-Say, the French sugar group, to 51.2 per cent from a previous 46.2 per cent following the purchase of a block of 599,288 shares yesterday, Reuter reports

A Ferruzzi official said his group previously had 63.64 per cent of the voting rights in Béghin-Say. He gave no details of the vendor of the block of shares, which was traded at FFr811 per share. This represents a total price of FFr486m ($85.7m) for the 5 per cent block.

Béghin-Say shares closed yesterday down FFr23 at FFr790.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989/90	Low 1989/90
Gold per troy oz.	$415.75	-2.00	$405.25	$420.25	$356.5
Silver Per troy oz	314.35	-1.55	339.65p	376.15p	313.90p
Aluminium 99.7% (cash)	$1440.0	-4.5	$2357.5	$2610	$1394.5
Copper Grade A (cash)	£1359.5	-5	£1935	£1982.5	£1301
Lead(cash)	£446	+16	£375.5	£487.5	£337
Nickel (cash)	$6350	+262.5	$1852.5	$19350	$5887.5
Zinc (cash)	$1400.5	+44.5	$1757.5	$2107.5	$1265
Tin (cash)	$6310	+65	£4325	$10760	$6240
Cocoa Futures (May)	£632	-1	£865	£947	£622
Coffee Futures (Mar)	£591	+3	£1193	£1270	£572
Sugar (LDP Raw)	$380.4	+1.8	$250	$381.0	$235.8
Barley Futures (May)	£109.35	-2.40	£111.35	£113.85	£100.95
Wheat Futures (May)	£116.55	-2.75	£114.5	£121.65	£104.7
Cotton Outlook A Index	76.0c	+0.40	63.80c	84.95c	61.35c
Wool (64s Super)	556p	-12	680p	710p	568p
Rubber (Spot)			61p	64p	52.5p
Oil (Brent Blend)	$19.175z	-0.80	$17.80	$21.975	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents lb. z-Mar.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.20-6.25z	-0.25
Brent Blend	$19.15-9.20z	-0.10
W.T.I. (1 pm est)	$21.85-1.87z	-0.47
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$224-226	-1
Gas Oil	$169-170	+1
Heavy Fuel Oil	$92-93	+1.5
Naphtha	$196-200	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$415.75	-1.25
Silver (per troy oz)♣	527c	-5
Platinum (per troy oz)	$509.75	+1.25
Palladium (per troy oz)	$135.85	
Aluminium (free market)	$1435	+15
Copper (US Producer)	109½-105c	
Lead (US Producer)	40.5c	
Nickel (free market)	285c	
Tin (Kuala Lumpur market)	15.59r	
Tin (New York)	287c	-2
Zinc (US Prime Western)	65¾c	
Cattle (live weight)†	107.55p	-5.50*
Sheep (dead weight)†	200.80p	-8.65*
Pigs (live weight)†	89.22p	+4.73*
London daily sugar (raw)	$380.4x	-1.0
London daily sugar (white)	$454.0x	-2.4
Tate and Lyle export price	£327.5	-1.0
Barley (English feed)	£113.75	
Maize (US No. 3 yellow)	£127.5	+1.5
Wheat (US Dark Northern)	£129	+1
Rubber (spot)♥	Unq	
Rubber (Mar)♥	55.50p	-0.25
Rubber (Apr)♥	56.50p	-0.25
Rubber (KL RSS No 1 Mar)	221m	
Coconut oil (Philippines)§	$400t	
Palm Oil (Malaysian)§	$282.5z	+5.0
Copra (Philippines)§	$275	-10.0
Soyabeans (US)	£159	-1.0
Cotton "A" index	76.0c	-2.5
Woolltops (64s Super)	556p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Feb. x-Mar. *Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Mar	19.20	19.60	19.51	19.40
Apr	19.02	19.19	19.33	19.11
May	18.88	18.94	18.90	18.80
Jun	18.65	18.74		
IPE Index	19.20	19.68		

Turnover: 11450 (10190)

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	618	614	618	613
May	632	622	633	623
Jul	643	634	642	636
Sep	661	650	661	653
Dec	685	674	685	678
Mar	705	697	705	700
May	721	714	715	713

Turnover: 4591 (4847) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 8 [illegible] 10 day average for Feb 9 [illegible]

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

Turnover: 2700 (3414) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 8: Comp. daily [illegible] 15 day average [illegible]

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
White	**Close**	**Previous**	**High/Low**
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover: Raw [illegible] lots of 50 tonnes. White [illegible]
Paris- White (FFr per tonne): [illegible]

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

Turnover [illegible] lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,250 tonne
Cash	1439-41	1425-7	1437/1436	1435-6		
3 months	1462-3	1440-1	1454/1435	1448-9	1448-50	8734 lots
Copper, Grade A (£ per tonne)						Ring turnover 30,950 tonne
Cash	1359-60	1359-60	1375/1360	1374-5		
3 months	1364-5	1366.5-7.0	1372/1360	1372-3	1360-1	13736 lots
Lead (£ per tonne)						Ring turnover 16,475 tonne
Cash	445-7	429.5-31.5	449/437.5	437.75-38		
3 months	424-5	418-9	430/418.5	420-1	427-9	2474 lots
Nickel ($ per tonne)						Ring turnover 1,008 tonne
Cash	6340-60	6250-75	6325	6300-25		
3 months	6340-60	6250-60	6350/6300	6300-10	6330-60	2022 lots
Tin ($ per tonne)						Ring turnover 285 tonne
Cash	6300-20	6270-80		6270-80		
3 months	6420-40	6390-400	6440/6400	6400-10	6400-20	666 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 23,850 tonne
Cash	1398-402	1382-5	1423	1418-20		
3 months	1388-90	1375-7	1410/1380	1407-8	1388-90	6517 lots
Zinc ($ per tonne)						Ring turnover 600 tonne
Cash	1390-400	1375-85	1410	1410-5		
March 30	1360-70	1345-55		1385-95		724 lots

LME Closing £/$ rate:
SPOT: 1.69 · 3 months: 1.661 · 6 months: 1.6363 · 9 months: 1.6133

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	189.4	188.5	192.5	188.5
May	212.0	212.5	215.0	211.5

Turnover 305 (589) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Apr	128.00	129.00	128.50	128.00
Jun	125.00	127.00	125.00	
Aug	[illegible]	[illegible]	[illegible]	
Oct	[illegible]	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	[illegible]	
Feb	[illegible]	[illegible]	[illegible]	

Turnover 110 (185) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	

Turnover 438 (440)

GRAINS – BFE

Wheat	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Barley	**Close**	**Previous**	**High/Low**
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Turnover: Wheat 402 (271). Barley 55 (46).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Turnover 38 (15) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	415½-416	247½-248
Opening	418¾-419¼	245¾-246½
Morning fix	418.50	247.443
Afternoon fix	415.80	245.974
Day's high	419-419½	
Day's low	415-415½	

Coins	$ price	£ equivalent
Mapleleaf	426-431	252-255
Britannia	426-431	252-255
US Eagle	[illegible]	[illegible]
Angel	[illegible]	[illegible]
Krugerrand	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

Silver fix	p/fine oz	US cts equiv
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	[illegible]	[illegible]	[illegible]	[illegible]
1450	[illegible]	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
2200	[illegible]	[illegible]	[illegible]	[illegible]
2250	[illegible]	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]	[illegible]
Coffee	**Mar**	**May**	**Mar**	**May**
550	[illegible]	[illegible]	[illegible]	[illegible]
600	[illegible]	[illegible]	[illegible]	[illegible]
650	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa	**Mar**	**May**	**Mar**	**May**
550	[illegible]	[illegible]	[illegible]	[illegible]
600	[illegible]	[illegible]	[illegible]	[illegible]
650	[illegible]	[illegible]	[illegible]	[illegible]
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	[illegible]	[illegible]	[illegible]	[illegible]
1950	[illegible]	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

THE PRECIOUS METALS rallied in early trading, reports Drexel Burnham Lambert. Silver being the main impetus, rallying on continued covering against March options. As the US Dollar firmed, the metals fell with long liquidation. Support emerged at lower levels to steady prices, which remained in a narrow, quietly-traded range for the rest of the session. Copper futures rallied on expectations that both LME and Comex stocks could fall in figures to be released next week. Crude oil futures remained on the defensive in light trading. Coffee futures rallied in response to concern over possible shipment problems in Mexico and a dock strike in Brazil. Sugar futures featured early selling by one dealer inadvance of March options expiry. However, persistent trade, fund and local buying pushed values up through the significant 15cent level. Cocoa, rallied with local short covering and fund buying. The grains and soyabean complex derived strength from a combination of a possible purchase of wheat by China, possible interest by the Soviet Union and, in the bean complex, supportive offshore values. Indications of good sales helped firm corn futures.The meats were featureless and lacklustre, closing firm to unchanged on pre weekend position squaring.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	416.2	416.7	417.3	415.8
Mar	418.0	420.5	418.0	418.0
Apr	420.6	423.5	423.8	419.5
Jun	425.7	429.1	429.4	425.0
Aug	431.6	434.2	432.0	431.6
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 9	Feb 8	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 8	Feb 7	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	102.35	100.45	102.50	102.40
Mar	101.25	99.75	101.70	100.80
Apr	100.35	98.85	100.35	100.35
May	99.50	98.40	100.10	99.30
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark loses its momentum

STERLING ADVANCED and the dollar was steady, as the foreign exchanges paused to take further stock of the situation involving German monetary union and the possibility of eventual political unification of the two German states. West German officials were at pains to reassure the political and financial community about any possible threats to stability in Europe.

Mr Helmut Kohl, West German Chancellor, goes to Moscow today and is expected to visit Washington later this month, in a bid to gain international acceptance for a united Germany. Mr Karl Otto Pöhl, Bundesbank president, expressed reservations about German monetary union, earlier this week, but yesterday expressed his support for the Government in such a move.

Nevertheless the D-Mark weakened, although this was partly a technical correction after the recent sharp rise. The West German currency rose to FFr3.4022 from FFr3.4001 at the Paris fixing, but fell back to FFr3.3985 at the London close. In terms of the lira, the D-Mark advanced to L744.10 from L743.75 at the Milan fixing, but eased back to L744.00 at the London close. The D-Mark fell to Y86.65 from Y86.90 against the yen at the finish of trading in London.

There was little movement among currencies in the European Monetary System. The lira remained at the top of the EMS, but was within its cross rate limits against the weaker members.

Sterling benefitted from nervousness about the D-Mark and the combination of UK political stability and high London interest rates. The pound rose to DM2.8350 from DM2.8225. It also gained 60 points to $1.6930, and climbed to SFr2.5325 from SFr2.5200; to FFr9.6375 from FFr9.5950; and to Y245.75 from Y245.25. Sterling's index rose 0.3 to 89.4.

The dollar showed small mixed changes. Attention continued to concentrate on the D-Mark, with the market shrugging off news of a surprising high rise of 1.8 per cent in January US producer prices. This was the biggest monthly rise for 15½ years, but was mainly the result of bad weather putting up food and energy prices.

At the London close the dollar improved to DM1.6750 from DM1.6725; to SFr1.4965 from SFr1.4945; and to FFr5.6925 from FFr5.6850, but fell to Y145.15 from Y145.35. The dollar's index rose 0.1 to 67.1.

The Swiss franc traded quietly, but had a soft undertone, after a director of the Swiss National Bank said tighter monetary policy is not the answer to the franc's weakness.

Average values of the main trading currencies against the dollar in January were: sterling 1.6518; D-Mark 1.6913; yen 144.95; Swiss franc 1.5167; and French franc 5.7550.

£ IN NEW YORK

Feb 9	Latest	Previous Close
£ Spot	1.6900-1.6910	1.6935-1.6945
1 month	0.87-0.86pm	0.89-0.87pm
3 months	2.72-2.69pm	2.75-2.72pm
12 months	9.40-9.30pm	9.37-9.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb 9	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Feb 9	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Feb 9	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Feb 9	£	$
[illegible]	[illegible]	[illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6930	1.6844	1.6660	1.6408	1.5997
D-mark	2.8350	2.8205	2.7916	2.7543	2.6900
French Fr.	9.6375	9.6060	9.5466	9.4685	9.3354
Swiss Fr.	2.5325	2.5221	2.4995	2.4709	2.4135
Yen	245.75	244.19	241.13	236.78	229.37

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6870-1.6935	1.6925-1.6935	0.88-0.86cpm	6.17	2.72-2.69pm	6.39
Ireland†	1.5800-1.5905	1.5815-1.5825	0.41-0.38cpm	2.91	1.38-1.28pm	3.35
Canada	1.1910-1.1975	1.1950-1.1960	0.40-0.43cdis	-4.17	1.27-1.33dis	-4.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Feb 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb 9	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Feb 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Feb 9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CAC-40 FUTURES (MATIF)

	Open	Close	Change	High	Low	Open Int.
February	1905.0	1893.9	-11.0	1911.0	1885.0	5,319
March	1910.0	1890.0	-14.0	1910.0	1890.0	1,044
April	1915.0	1896.5	-11.0	1915.0	1896.5	125
June	-	-	-	-	-	17

Estimated volume 4,357 Total Open Interest 6,503

MONEY MARKETS

Longer rates firm

LONGER TERM interest rates had a firmer tone in London yesterday, on fears of higher West German rates. Three-month sterling interbank was unchanged at 15⅛-15$\frac{1}{16}$ per cent, but 12-month money was quoted at 15$\frac{3}{16}$-15$\frac{1}{16}$ per cent, compared with 15⅛-15$\frac{1}{16}$.

Fixed period rates were steady in Frankfurt, with three-month funds unchanged at 8.10 per cent. Call money was unchanged at 7.80 per cent. Confidence was helped by the comment from Mr Karl Otto Pöhl, Bundesbank president, that he sees no major obstacles in financing unification of the two Germanys or a monetary union. He added that union need not have inflationary effects, but stressed that monetary policy must stay tight.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe June short sterling weakened in fairly active trading. Any upward move in German rates can only delay a cut in London rates, according to dealers, and increases the danger that UK bank base rates will rise. Against this background June short sterling opened lower at 85.37, and fell through support at 85.30, to a low of 85.29, before closing at 85.33, compared with 85.39 on Thursday.

The Bank of England initially forecast a day-to-day credit shortage of £450m on the London money market, but revised this to £500m at noon. Total help of £422m was provided.

Before lunch the authorities bought £205m bank bills outright, in band 2 at 14⅞ per cent. In the afternoon £217m bank bills were purchased in band 1 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £328m, with a rise in the note circulation absorbing £435m, and bank balances below target £45m. These factors outweighed Exchequer transactions adding £375m to liquidity.

At the weekly Treasury bill tender in London the average rate of discount for 91-day bills rose to 14.4955 per cent. rom 14.4760. The £500m bills on offer attracted bids of £1.65bn, and applications for bills dated Monday to Friday, at the top accepted rate of discount of 14.4997 per cent, received about 68 per cent.

In New York the US Federal Reserve drained money from the banking system, via weekend matched sale and repurchase agreements, when Federal funds were trading at 8⅜ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb 9) 3 months US dollars / 6 months US Dollars

bid 8¼ offer 8⅜ / bid 8⅜ offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) Treasury Bills and Bonds

Prime rate	[illegible]	One month	[illegible]	Three year	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]	Four year	[illegible]
Fed funds	[illegible]	Three month	[illegible]	Five year	[illegible]
Fed. funds at intervention	[illegible]	Six month	[illegible]	Seven year	[illegible]
		One year	[illegible]	10-year	[illegible]
		Two year	[illegible]	30-year	[illegible]

Feb 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.40-7.50	7.90-8.05	8.00-8.20	8.45-8.55	8.00
Paris	10⅛-10¼	10$\frac{11}{16}$-10$\frac{13}{16}$	-	11⅛-11¼	-	9.50
Zurich	8¾-9¼	9½-9¾	-	9½-9¾	-	-
Amsterdam	8.75-8.88	8.82-8.92	-	8.90-9.00	-	-
Tokyo	6$\frac{11}{16}$-6$\frac{13}{16}$	6$\frac{11}{16}$-6¾	-	6$\frac{15}{16}$-7$\frac{1}{16}$	-	-
Milan	12½-12¾	13⅛-13¼	-	13⅛-13¼	-	-
Brussels	7.45	10¼-10⅜	-	10⅜-10½	-	-
Dublin	11⅛-11¼	11⅜-11½	11½-11⅝	11½-11⅝	11$\frac{9}{16}$-11$\frac{11}{16}$	-

LONDON MONEY RATES

Feb 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14$\frac{15}{16}$	15	15⅛	15⅛	15$\frac{3}{16}$	15$\frac{3}{16}$
Interbank Bid	10	14⅞	15$\frac{1}{16}$	15$\frac{1}{16}$	15$\frac{1}{16}$	15$\frac{1}{16}$
Sterling CDs.	-	-	15$\frac{1}{16}$	15$\frac{1}{16}$	15$\frac{1}{16}$	14$\frac{15}{16}$
Local Authority Deps.	14⅞	14⅞	14$\frac{15}{16}$	14$\frac{15}{16}$	14$\frac{15}{16}$	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15	15	15	14$\frac{15}{16}$
Finance House Deposits	-	-	15$\frac{1}{16}$	15$\frac{1}{16}$	15$\frac{1}{16}$	15⅛
Treasury Bills (Buy)	-	-	14$\frac{13}{16}$	14$\frac{13}{16}$	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14$\frac{13}{16}$	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14$\frac{15}{16}$	-
Dollar CDs.	-	-	8.32	8.34	8.42	8.64
SDR Linked Dep. Offer	-	-	9	9⅛	9⅛	9½
SDR Linked Dep. Bid	-	-	8⅞	9⅛	9⅛	9⅜
ECU Linked Dep. Offer	-	-	11	11⅛	11½	11$\frac{5}{16}$
ECU Linked Dep. Bid	-	-	10⅞	11⅛	11⅛	11$\frac{3}{16}$

Treasury Bills (sell): one-month 14$\frac{11}{16}$ per cent; three months 14$\frac{11}{16}$ per cent; Bank Bills (sell): one-month 14$\frac{13}{16}$ per cent. three months 14½ per cent; Treasury Bills; Average tender rate of discount 14.4955 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period February 26 1990 to March 26, 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec 30, 1989 to January 31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent. one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989; Deposits withdrawn for cash 5 per cent.

BANK RETURN

BANKING DEPARTMENT	Wednesday January 7, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	56,630,768	-	1,294,418
Bankers Deposits	1,517,359,242	-	11,968,216
Reserve and other Accounts	2,097,547,665	+	23,998,323
	3,686,090,675	+	10,735,689
ASSETS			
Government Securities	1,318,109,624	-	357,505,655
Advance and other Accounts	742,157,121	+	220,939,098
Premises Equipment & other Secs	1,622,011,524	+	151,591,635
Notes	3,575,422	-	4,279,617
Coin	236,984	-	9,567
	3,686,090,675	+	10,735,689
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,976,424,578	+	34,279,617
Notes in Banking Department	3,575,422	-	4,279,617
	14,980,000,000	+	30,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	9,874,890,545	-	1,119,889,859
Other Securities	5,094,094,355	+	1,149,889,859
	14,980,000,000	+	30,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williams Secs.	15
Bank Credit & Comm.	15	Robert Fraser & Ptns.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	†15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	295	Ass. Brit. Ind. Ordinary	342xd	0	10.3	3.0	9.2
38	19	Armitage and Rhodes	19	0	-	-	-
210	149	Bardon Group (SE)	180	0	4.3	2.4	17.5
125	102	Bardon Group Cv Pref (SE)	111	0	6.7	6.0	-
123	74	Bray Technologies	77	0	5.9	7.7	6.8
110	95	Bremhill Conv. Pref	95	0	11.0	11.6	-
104	95	Bremhill 8¼% New C.C.R.P	95	0	11.0	11.6	-
312	285	CCL Group Ordinary	312xd	0	14.7	4.7	3.9
176	165	CCL Group 11% Conv. Pref	169	+1	14.7	8.7	-
225	140	Carbo Plc (SE)	210	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	Magnet Gp Non-Voting A Cw*	0.125	0	-	-	-
5	0.125	Magnet Gp Non-Voting B Cw*	0.125	0	-	-	-
130	98	Isis Group	98xd	-1	8.0	8.2	5.6
145	58	Jackson Group (SE)	110	0	3.6	3.2	12.8
322	257	Multihouse NV (AmsSE)	297	0	-	-	-
158	98	Robert Jenkins	132xd	0	10.0	7.6	4.8
467	365	Scruttons	366	0	18.7	5.1	9.7
300	270	Torday & Carlisle	297	0	9.3	3.1	10.3
117	100	Torday & Carlisle Cnv Pref	104	0	10.7	10.3	-
160	106	Unistrut Europe Conv Pref	160	+1	9.3	5.8	-
395	332	Veterinary Drug Co. PLC	332	-7	22.0	6.6	9.4
370	294	W.S Yeates	294	-1	16.2	5.5	24.5

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA

These securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities

* These securities are dealt on a restricted basis. Further details available

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange *Official List and should not be reproduced without permission.*

Details relate to those securities *not* included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and *Third Market* stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

Corporation and County Stocks
No. of bargains included 1

Greater London Council6¾% Stk 90/92 - £87 ¼ 8¼ (7Fe90)

Birmingham Corp2½% Stk 1926(or after) - £20 (2Fe90)

3½% Stk 1946(or after) - £25 (5Fe90)

Birmingham District Council11½% Red Stk 2012 - £97 (5Fe90)

Kensington & Chelsea(Royal Borough) ...

Banks and Discount Companies
No. of bargains included 2046

Ansbacher(Henry)Hldgs PLC9% Cnv Subord Ln Stk 1996 - £88 (5Fe90)

Australia & New Zealand Banking Gp New SA1(50% Pd&Reg 50% Div Till 30/9/90) - 180 (2Fe90)

Bank of Ireland(Governor & Co of)7% Ln Stk 86/91 - I£90 (5Fe90)

...

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Exploration 95, A$2.3717
Aust. Foundation Inv A$1.6527ϕ (7/2)
Boral Ord. Stk. A$3.958 (5/2)
City Developments S$3.66948
Cons. Modderfonteins $1.375, R5.1, .2
Forest Laboratories £23.75 (6/2)
Harland (John H) Co $21.61266ϕ (6/2)
Keystone International $20.75ϕ (6/2)
Killinghall Tin (Malaysia) Berhad Ord M$3.6 (7/2)
Kreditbank BF3,910 (7/2)
Kulim Malaysia Ord 43
Malayan Cement S$3.14
Malaysian Plantations 30
Mount Martin Gold Mines A$.612 (5/2)
National Electronics (Consolidated) 2 (2/2)
Niugini Mining A$3.545 (6/2)
Nixdorf Computers AG Prf. Shs. DM276.55 (5/2)
Noranda Inc C$21.9 (7/2)
North Flinders Mines A$3.2 (6/2)
Oil Search 20, 31, 2
Oilmet A$.22 (7/2)
Overseas Chinese Banking Corp S$12.0664, S$9.336 (7/2)
Palabora Mining $16.07, .21, R$2.85, 3 (6/2)
Selangor Coconuts 30
Singapore Land S$14.8 (5/2)
Southwest Gold mines 2, A$.0345
Spargos Mining NL 3.148 (6/2)
Strategic Minerals Corp A$.46 (7/2)
Target Resources 11
United Overseas Land S$2.30767 (5/2)
Vultan Minerals A$.269 (6/2)
Westfield Minerals 60 (6/2)
Wharf Hldgs HK$6.84515ϕ, HK$6.95 (6/2)
Winsor Industrial Corp. HK$7.26189 (5/2)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Weak close to the trading account

THE CLOUD over international interest rates cast by the dismal trend of the West German bond market overshadowed London yesterday, adding to the nervousness which greeted an unimpressive outcome to the final leg of the Federal funding auctions in the US. It was a depressing end to the trading account in UK equities, with the institutions backing away and leaving share prices to the mercy of profit takers.

The tone was set early, with prices marked down following Wall Street's lacklustre response overnight to the auction of 30 year Federal securities. The setback deepened as the German bond market continued to give ground, fuelling worries about German interest rates. By mid-session, the Footsie was more than 22 points lower at 2,308.5, bringing the important 2,300 support level into question again.

Account Dealing Dates		
*First Dealings: Jan 29	Feb 12	Feb 26
Option Declarations: Feb 8	Feb 22	Mar 8
Last Dealings: Feb 9	Feb 23	Mar 9
Account Day: Feb 19	Mar 5	Mar 19

*New time dealings may take place from 9.00 am two business days earlier

A cautious and unconvincing rally then set in, but this owed much to localised factors, such as the move towards the opening of the new two-week equity account. In fact, when the new account opened at 3.30pm, there was a dearth of buying for the new trading period.

The final reading showed the FT-SE Index down 17.4 at 2,313.6. Over the two week account, the Index has retained a minor gain of 0.9 after losing 41.5 points this week and challenging first the Footsie 2,330 and then the 2,300 mark.

Seaq volume increased significantly as the market fell yesterday, and the final volume total of 521.4m shares compared with 456.3m in the previous session. Daily Seaq volumes, incorporating both customer and inter-market business, have varied widely this week; Stock Exchange statistics show that the market rose by 23 points on Thursday on customer business of only £761.3m – well below bull market levels.

The investment institutions were major sellers of the FT-SE futures contract yesterday, when the premium over the cash market shrank from 23 points to only 7.

A market still underpinned by takeover speculation in the financial sectors was rattled by the disclosure that a major stake in Royal Bank of Scotland had gone, not to a predator, but to the apparently safe hands of Scottish Equitable Life Assurance. An already unhappy consumer sector was similarly unsettled by a loss and missed interim payment from Sock Shop.

This week's downturn in London equities has been touched off by weakness in world bond markets, especially in Germany, where concerns over the possible inflationary implications of any move to unite the two Germanys have unsettled the domestic credit sector. London made little response yesterday to reassurances on this point from the Bundesbank president.

Surprise at Royal Bank

All eyes in the equity market were rivetted on Royal Bank of Scotland where news of a substantial share stake changing hands led to a brief upsurge, and subsequent sharp fall in the share price.

Royal Bank of Scotland shares, persistently bought in recent weeks as talk of stake-building and possible takeover activity has encompassed the stock, rose sharply to 228p within an hour of the official opening of business as a succession of trades in the stock flashed up on the market trades ticker, indicating that a major share-stake had changed hands. The big trades, made up of six blocks of 9m shares and two of 1m shares, led to immediate talk that Banco Santander might have increased its stake from the current 10 per cent.

Other names mentioned as potential buyers of a big stake included Paribas and Banque Nationale de Paris, as well as several big institutions, with the Kuwait Investment Office (KIO) said to have been selling part of its 6.6 per cent stake.

The picture became clear soon after the deals were made public when the Scottish Equitable Life Assurance Society announced it had bought 28m Royal Bank shares from the KIO, thereby increasing its holding to 5.02 per cent. The KIO said it's stake had been reduced from 6.6 per cent to 2.34 per cent. Royal Bank shares promptly dropped to close 10½ off at 188½p with turnover eventually coming out at 69m shares.

Marketmakers said the deal had taken the market completely by surprise; "We were looking for a big corporate deal and this has certainly taken out the bid premium for Royal Bank." He added that the transaction was mutually beneficial to both Royal Bank and the KIO – "Royal Bank has its independence reinforced by the deal and the KIO makes a good turn on the stake."

Sock Shop weak

Sock Shop fell back 7 to 49p following the disclosure of an interim loss above expectations. When discontinued activities were included, the loss amounted to £4m, compared with a profit of £630,000 last time. Sock Shop said a substantial loss had been incurred by its activities in US, where all its outlets had been closed.

Mrs Joan D'Olier of County Natwest said: "There are still a lot of problems at the company. There is a lot of downside activity in the share price. I would sell at these levels." Sock shop fell 7 to 49p. Body Shop fell 10 to 570p in sympathy.

Asda eased 2 to 106p following reports that Standard & Poor's had lowered its credit rating for the the UK food retailers' Eurocommercial paper. Asda also featured in the options market, where it was the busiest stock option. Asda traded 4.1m shares.

Bass were depressed by the appearance of the widely predicted American sellers, the shares retreating 30 to 970p on turnover of 950,000; US trading in ADR's commenced on Thursday after the completion of Bass's purchase of the US Holiday Inns business.

"A very disappointing day" was how one marketmaker described the trade among the leading international stocks. Rank Organisation followed the market direction the shares losing 4 to 785p. Wellcome did likewise the shares giving up 4 to 693p. Glaxo weakened 5 to 701p though SmithKline Beecham having come off to 539p recovered to close 2 down at 542p.

The old chestnut about ICI disposing of its 25 per cent stake in Enterprise once again did the rounds in the market. That speculation however did little for the price and the shares gave up 7 to 1084p on a meagre turnover of 1m shares.

Dalgety eased before its interim results on Monday. The market expects profits to rise to £54-58m from £51.7m last time. That would represent around an increase of 8 per cent, below the expected sector average rise this year of 10 per cent. Analysts said Dalgety's Australian interests would be adversely affected by lower wool prices. Dalgety finished 8 lower at 384p.

The announcement that Ranks Hovis McDougall is hoping to sell Cerebos Pacific pushed it lower. "RHM is selling the family silver. And it plays right into (Sir James) Goldsmith's hands. RHM will be able to cut its debt but it's also a retreat back into the UK market and away from the fast growing Far Eastern market," said Mr Mark Lynch of Laing & Cruickshank. RHM finished 3 easier at 426p.

Speculation that United Biscuits could be set to make a European acquisition kept it on the defensive, while activity in the options market provided a talking point for the market. The shares fell 8 to 336p on 2.2m.

Marks & Spencer was underpinned as post-Christmas sales above expectations prompted Warburg Securities to become more positive. M & S eased a penny to 206p on 2.9m. Sears held steady at 103p as the bid talk earlier in the week and the activity in the options market on Thursday kept interest alive. Trading was brisk and 4.7m shares changed hands.

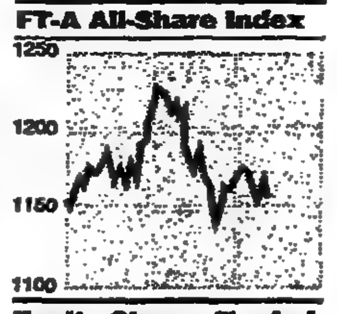
Standard Chartered were a late firm feature in the banks with dealers saying that the takeover speculation in Royal Bank of Scotland had quickly switched to Standard Chartered, long-rumoured as a potential bid target. "There was certainly a big buyer around late for Standards and this boosted turnover there," said a dealer. Standard shares closed 12 higher at 600p with turnover expanding to 3.5m, well ahead of usual levels in the stock.

The "big-four" banks suffered from lack of interest but held up well as the rest of the equity market fell back sharply.

Midland managed a minor gain at 371p on a meagre 1.3m shares, while NatWest slipped 5 to 343p on 1.1m and Lloyds 3 to 289p.

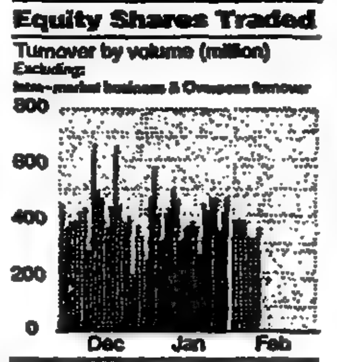
Merchant banks tended to lose ground on profit-taking. Hambros, boosted earlier in the week by news that Baltica had increased its holding from 12 per cent to 14.03 per cent, eased 2 to 323p, with specialists still perplexed by the Baltica move; "Hambros is surrounded by protective share stakes, which make Baltica's actions look slightly odd," said one analyst. But Schroders rose 50 to 1725p in a very thin market.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Life assurances, which were sold hard in midweek along with the composites, on worries about claims arising from the storms and floods affecting the UK, continued to retreat. Prudential fell 2½ more to 212½p on 2.4m while Legal & General fell 2 to 401p.

Composites were well supported, and showed only very minor falls after the widespread profits downgrades instigated after the storms.

Shares of the UK cement manufacturers came under pressure after news that Castle Cement, the Scandinavian-owned group is expanding cement production at its Clwyd, north Wales plant from 500,000 tonnes to 1.5m tonnes a year. Blue Circle Industries, unsettled earlier in the week by profits downgrades instigated by a number of leading UK broking firms, including Smith New Court and BZW, slipped 4 to 234p. Rugby Group were 3 easier at 179p.

But some dealers, although acknowledging that the Castle move could take business from the UK groups, said that although there was short term negative sentiment it could well be construed as a long-term vote of confidence in the UK industry. McCarthy & Stone, the sheltered homes construction group, came under persistent selling pressure, closing 8 down at 94p.

The news that British Airways passenger traffic in the month of January had increased by 7.3 per cent compared to January 1989 helped steady the company's shares in an otherwise dull and featureless day among transport stocks. The stock came off a penny to 197p in two way trade of 3.3m shares.

BAA were 6 down at 374p. Some 1.6m shares were traded with ADT, which has an 8.2 per cent stake in BAA, thought to be the shopper at the current low levels.

Thursday's news that Coloroll, the troubled furniture group, had sold its subsidiary Alexander Drew & Son, the furnishing fabrics group, was well received by the market where Coloroll gained 3 to 24p.

BTR retreated 7 to 430p with dealers blaming the weak Australian dollar for the fall. County Natwest which issued a note on BTR this week said: "It is our belief that BTR will again underperform when the stock market begins looking confidently towards times of shares prosperity."

BET was reported to have suffered from profit taking, the shares giving up 5 to 241p. One analyst said: "In the long run, BET should bounce back once the market knows how the company is going to pay for the Hestair acquisition. A disposal of its property improvement company is likely to be well received."

Securicor Group shares were once again a bright feature following the final figures earlier in the week. Securicor "A" added another 7 to 828p while Security Services, 51 per cent owned by Securicor closed 13 up at 713p. Elbief rallied to close 7 up at 40p.

ASW Holdings gained 9 to 262p on talk that British Steel was about to up its 20 per cent stake in the company. Analysts however were unconvinced by the story and County NatWest is advising investors to switch out of ASW Holdings and into British Steel because "ASW Holdings offers 40 per cent yield than British Steel." British Steel shares lost 1¼ to 134p on turnover of 3.7m shares.

Defence worries continued to make Smith Industries a weak market, making the shares one of the worst performers in the sector over the last month. The shares gave up another 5 to 245p.

British Aerospace lost 9 to 536p with one analyst saying "the longer the strike goes on the longer it will struggle."

GKN were 7 weaker at 396p as the shares continued to be dogged by worries about the downturn in car manufacturing in both the US and the UK. However Mr Sandy Morris at County Natwest believes the shares have been oversold on those worries. He said: "Two thirds of GKN's motor components market is in Europe, which provides two thirds of the profits. European car figures for January were good so provided the European market remains strong this weakness has been overdone."

Also said to have suffered from worries over the motor sector was Siebe whose share retreated 9 to 431p.

Press speculation that the Ministry of Defence would put in a reduced order of the Challenger 2 tank currently being developed by Vickers continued to hurt the shares and they closed 4 down at 201p.

Ladbroke shares suffered from another bout of selling pressure, closing a net 6 off at 300p, for a two day decline of 12; turnover expanded yesterday to 5.8m, well up on average levels.

The weakness followed hints in the market that the group was about to bid for Norfolk Capital Hotels, where Queens Moat is bidding for control, although Ladbroke quickly denied these stories.

Mr John Jarvis, a Ladbroke main board director and previously responsible for the hotels division, resigned on Thursday.

There was strong support in the market for the Racal twins with Telecom, especially, responding to persistent and often sizeable buying interest said to have emanated from the US. At the close Telecom were 10 firmer at 376p, while Electronics, managed a much smaller improvement at 221½p. Both stocks have been sustained this week by the roadshow sponsored by UBS Phillips & Drew. A US roadshow is due to get underway very soon.

British Telecom put on what dealers said was a very good performance, and held at 305p after the encouraging third quarter figures released on Thursday. Cable & Wireless, a very strong market in recent days, slipped 8 to 550p on profit-taking. Ferranti, after its latest disposal – the sale of a 50 per cent stake in its sonar operation to Thomson–CSF – edged up to 40½p on good turnover of 8.6m. Amstrad hardened to 55p in front of Thursday's interim figures.

Other Market statistics, including the FT-Actuaries share index and recent issues (including the water issue stocks), Page 8.

FINANCIAL TIMES STOCK INDICES

	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.15	81.26	80.80	81.23	81.02	89.10	89.29 (8/2/89)	80.83 (7/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.35	91.48	91.25	90.97	90.93	87.37	99.59 (15/3/89)	90.85 (29/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1830.7	1845.3	1826.2	1835.6	1861.0	1680.9	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	367.7	372.5	375.1	378.5	370.4	167.1	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2313.6	2331.0	2307.4	2321.1	2348.4	2058.1	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.70	4.66	4.71	4.68	4.63	4.34				
Earning Yld %(full)	11.35	11.28	11.37	11.32	11.17	10.85				
P/E Ratio(Net)(☆)	10.66	10.75	10.64	10.69	10.83	11.18				
SEAQ Bargains(5pm)	28,988	25,036	23,375	25,845	29,088	40,611				
Equity Turnover(£m)†	-	761.29	768.77	682.60	749.93	1505.61				
Equity Bargains†	-	24,713	23,739	26,342	28,406	48,846				
Shares Traded (ml)†	-	369.6	328.0	330.0	395.7	714.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.61

Ordinary Share Index, Hourly changes — Day's High 1840.1 — Day's Low 1827.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1838.6	1839.2	1834.3	1828.2	1827.2	1828.6	1829.8	1830.2

FT-SE, Hourly changes — Day's High 2323.9 — Day's Low 2308.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2323.6	2321.9	2315.7	2309.8	2308.7	2310.5	2311.5	2311.9

GILT EDGED ACTIVITY

Indices*	Feb 8	Feb 7
Gilt Edged Bargains	80.8	98.0
5 – Day average	82.7	83.1

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	1,300	122	-2
ASDA Group	4,100	106	-2
Abbey National	1,900	184	-1
Allied-Lyons	1,200	478	-8
Amstrad	2,500	55	+1
Argyll Group	585	237	-4
Ass. Brit. Foods	148	398	-2
BAA	1,600	374	-6
BAT Inds	651	808	-4
BET	1,200	241	-5
[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	292	536	-9
British Airways	3,300	126½	-1½
British Gas	2,800	225½	+2
British Land	282	380	
BP	4,900	341½	-1½
British Steel	3,700	134	-1½
British Telecom	3,500	305	
Bunzl	454	135	-2
Burmah Oil	172	667	+2
Burton	1,800	183	-3
Cable & Wire	1,400	550	-8
Cadbury's	920	320	-3
Caper Group	137	258	+2
Carlton Comms.	643	781	-5
Coats Viyella	3,500	136	-2
Comm. Union	1,300	494	
Cookson	143	251	-2
Courtaulds	1,000	387	-2
Dalgety	447	384	-8
[illegible]	1,800	127	-1
Eng. China Clays	64	427	-6
Enterprise Oil	445	675	-1
FKI	1,200	68	-1
Ferranti	8,600	40	+½
Fisons	926	332	
[illegible]	[illegible]	[illegible]	[illegible]
Hanson	5,000	228¼	-1½
Hanson Warrants	474	87	
Harrisons Cros.	944	149	-5
Hawker Sidd.	157	647	-5
Hillsdown	1,000	265	-4
IMI	894	218	-4
ICI	1,000	1084	-7
Inchcape	1,400	276	+1
Jaguar	6	849	
Kingfisher	358	278	-1½
Ladbroke	5,800	300	-6
Land Securities	323	[illegible]	-9
Laporte	35	815	-2
Legal & General	1,100	401	-2
Lloyds Abbey	706	317	-5
Lloyds Bank	1,400	289	-3
LASMO	751	646	-2
Lonrho	1,000	364	-2
Lucas	325	637	-8
MB Group	1,000	217	
MEPC	329	498	-3
Marks & Spencer	2,900	206	-1
Maxwell Comm.	548	210	
Mecca Leisure	297	151	
Midland Bank	1,700	371	+1
[illegible]	[illegible]	[illegible]	[illegible]
Racal	2,100	221½	+5
Racal Telecom	537	376	+10
Rank Org.	276	785	-4
Reckitt & Colman	321	1189	-5
Redland	142	568	+1
Reed Intl.	1,000	418	-2
Reuters	405	1050	-5
Rolls Royce	1,400	178	-3
Rothmans	295	649	-13
Ryl Bk Scotland	69	188½	-10½
Royal Insurance	800	303	
STC	3,800	283	
Saatchi	136	231	-4
Sainsbury	1,000	259	-5
Scottish & New.	1,700	[illegible]	-3
Sears	4,700	100	
Sedgwick	355	296	-2
Shell Transport	1,800	482	-3
Siebe	198	431	-9
Slough Ests	46	305	-2
Smith (W H) A	363	332	-1
Smith & Nephew	907	118½	
SmKl Beecham	1,100	542	-2
SmKl Beecham Units	13	2513	+13
Smiths Inds.	339	245	-5
Standard Chartd.	3,100	600	+12
[illegible]	[illegible]	[illegible]	[illegible]
THORN EMI	175	787	-8
Trafalgar House	320	335	-8
Trusthouse Forte	701	283	-3
Ultramar	692	371	-1½
Unigate	1,300	307	-3
Unilever	715	654	-9
United Biscuits	2,200	336	-8
Utd. Newspapers	69	403	
Wellcome	560	693	-4
Whitbread "A"	1,500	382	-9
Williams Hldgs.	365	245	
Willis Faber	641	287	-3
Wimpey	60	258	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (38). BRITISH FUNDS (3) CANADIANS (3) BANKS (3) STORES (1) ELECTRICALS (2) ENGINEERING (2) FOODS (1) INDUSTRIALS (2) Eurocopy, Securiguard, INSURANCE (1) PAPERS (1) TEXTILES (1) TRUSTS (4) OILS (4) MINES (2).
NEW LOWS (71). CANADIANS (2) BANKS (2) BREWERS (1) BUILDINGS (3) CHEMICALS (1) STORES (9) ELECTRICALS (4) ENGINEERING (3) FOODS (3) INDUSTRIALS (15) Bear Brand, Bridport-Gundry, Norcros, Norton Grp., Optometrics, RKF Grp., Radiant Metal, Sale Tilney, Savage, Spandex, URS Int., Waterman Porsche, Widney, INSURANCE (2) LEISURE (3) MOTORS (2) NEWSPAPERS (1) PAPERS (2) PROPERTY (4) SHOES (1) TEXTILES (3) TRANSPORT (1) Cons Freight., TRUSTS (5) OILS (1) MINES (2) THIRD MARKET (6).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	25	58	17	200	245	52
Corps, Dom. & Foreign Bonds	6	0	29	25	21	139
Industrials	190	481	930	1371	2,001	4,669
Financial and Props	92	212	390	583	994	1,901
Oils	36	16	40	141	136	191
Plantations	3	1	6	9	9	32
Mines	16	56	86	184	234	384
Others	58	87	108	335	422	504
Totals	426	911	1,606	2,854	4,062	7,872

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday February 8 1990

Gold Mines Index	+	20.51
Packaging & Paper	+	4.30
Merchant Banks	+	3.83
Water	+	1.99
Agencies	+	1.87
Electronics	+	0.16
Conglomerates	-	0.21
Banks	-	0.35
Food Retailing	-	0.68
Telephone Networks	-	0.81
Metals & Metal Forming	-	0.90
Oil & Gas	-	1.12
Other Groups	-	1.42
Stores	-	1.92
Engineering-General	-	2.35
Chemicals	-	2.37
Contracting,Construction	-	2.60
Transport	-	3.05
500 Share Index	-	3.17
All Share Index	-	3.35
Textiles	-	3.46
Industrial Group	-	3.51
Financial Group	-	3.83
Building Materials	-	3.96
Leisure	-	4.01
Capital Goods	-	4.04
Brewers and Distillers	-	4.05
Motors	-	4.22
Electricals	-	4.27
Consumer Group	-	4.65
Food Manufacturing	-	4.86
Insurance(Life)	-	5.10
Property	-	5.19
Investment Trusts	-	5.41
Insurance(Brokers)	-	5.46
Publishing & Printing	-	5.80
Other Industrial Materials	-	7.68
Engineering-Aerospace	-	8.05
Insurance(Composite)	-	9.14
Health & Household Products	-	9.35
Overseas Traders	-	10.59

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-02	-5/32	12.28	12.15	11.70
		10.500	5/99	95-06	-5/32	11.32	11.22	10.95
		9.000	10/08	90-22	-2/32	10.38	10.30	9.98
US TREASURY *		7.875	11/99	96-13	+12/32	8.42	8.47	8.01
		8.125	8/19	96-16	+16/32	8.45	8.49	8.06
JAPAN	No 119	4.800	6/99	89.2785	+0.390	5.88	5.56	5.20
	No 2	5.700	3/07	95.0596	+0.313	6.30	6.26	6.03
GERMANY		7.125	12/99	92.4500	+0.180	8.27	7.71	7.49
FRANCE	BTAN	8.000	10/94	91.0602	+0.178	10.49	10.33	10.19
	OAT	8.125	5/99	89.2000	-0.020	9.94	9.85	9.52
CANADA *		9.250	12/99	95.0750	+0.350	10.05	9.98	9.75
NETHERLANDS		7.500	11/99	93.0600	+1.010	8.57	8.30	8.12
AUSTRALIA		12.000	7/99	95.2725	+0.052	12.87	12.76	12.93

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Metal markets show more bounce

THE LONDON Metal Exchange provided further evidence this week to suggest that the recent general bear trend in base metals prices is over. But there was still no sign of a sustained recovery. The pattern was similar to last week's, with early declines being reversed in mid-week and most LME contracts finishing ahead on balance.

The biggest rise was in the zinc market, where cash special high grade metal ended $44.50 up on balance at a two-month high of $1,400.50 a tonne, having dipped to $1,314 a tonne on Tuesday despite the announcement on Monday of a modest fall in LME warehouse stocks.

Constructive chart patterns were cited as the main reason for the upturn, although traders also noted European merchant and commission house buying. In addition they reported that some supply tightness appeared to be developing for delivery dates in April.

The three months position for special high grade zinc closed yesterday at $1,389 a tonne and some pundits were saying that the decisive break through the $1,350 barrier had signalled an early move to $1,430 a tonne. The more cautious, however, were pointing out that a rise of $120 in the space of just two weeks had not been accompanied by any evidence of a significant rise in consumer demand.

The lead market's strong fundamentals were reasserted towards the end of the week, after the cash price had fallen initially to £423.50 a tonne. The price rose by £15.50 yesterday to £446 a tonne after the three months position, which closed at £424.50 a tonne, had at last broken through the resistance around $420 a tonne that had halted three earlier rallies.

Concern about nearby supply tightness lifted the cash copper price to £1,374.50 at yesterday's lunch-time ring, establishing a premium over the three months delivery position of £2 a tonne. By the close, however, the gain had been wiped out and a three months premium had been re-established.

The cash copper price ended at £1,359.50 a tonne, unchanged on the day and down £5 on the week. That was still well up on the £1,320 a tonne on Wednesday, however, at which point the cash discount against three months metal had been £10.50 a tonne. Dealers said yesterday's early rise had reflected expectations of a further drawdown from warehouse stocks following last week's 4,200-tonne fall to 99,950 tonnes, a 13-week low.

Other net losers on the week were nickel and aluminium, although both rallied quite strongly following early declines. Cash nickel dipped to $6,195 a tonne before bouncing yesterday to $6,350 a tonne, down $262.50 on the week, while cash aluminium pulled back from a low of $1,417 a tonne to finish just $4.50 down on the week at $1,440 a tonne.

The gold market flattered to deceive once again this week. The long-predicted break through the $425 a troy ounce barrier seemed to many observers to be on the cards when the London bullion market price surged $5.50 on Monday to a 14-year high of $423.25 an ounce. But the assault was repelled and liquidation by disappointed bulls saw the price slip to $415.75 an ounce yesterday, down $2 on the week.

Brazilian weather fears came to the rescue of the coffee futures market late in the week, after a fresh 14-year low of £555 a tonne had been reached by the May futures position on Tuesday. The rally came on Thursday, in response to reports of dry, hot weather in Brazil and Colombia, the two biggest producers. But the upturn ran out of steam yesterday, when the price gained a modest £6 to £590 a tonne, up £2 on the week.

ACCU-Weather, the private US forecasting service, said there were no signs of much-needed rains arriving in Brazil before early next week. The outlook was for above-normal temperatures and below-normal rain.

The dry, very warm weather of recent weeks had begun to stress coffee trees, ACCU-Weather said, and if good rains were not received soon the crop would begin to be affected.

In Colombia, however, coffee areas had a few scattered showers on Thursday, the forecaster said, with a quarter of the area receiving between 0.25 and 0.75 of an inch of rain. And it thought showers and thunderstorms would continue into the weekend.

The cocoa futures market also hit a 14-year low this week when the May position dipped to £613 during the day on Thursday. Support was found at that level and the price ended the week £3 down on balance at £630 a tonne. However, some observers were still predicting a test of the £600-level before too long.

Richard Mooney

APPOINTMENTS

Midland Montagu treasurer

■ MIDLAND GROUP has appointed Mr David Clark as treasurer and managing director from March 5, at treasury and capital markets, Midland Montagu, the international and investment banking arm of Midland Group. He is deputy general manager and treasurer of Commerzbank in London. Mr Clark succeeds Mr Rodolfo Bogni who is joining Swiss Bank Corporation.

■ Mr C. Nicholas Potter, president of J.P. Morgan Investment Management Inc, (JPMIM), has been named a managing director of J.P. MORGAN & CO INC with responsibility for the bank holding company's equity investment for its own account. He becomes chairman of JPMIM, and has been succeeded as president and chief executive of the subsidiary by Mr David L. Brigham who was managing director and vice chairman of the executive committee of JPMIM. The company has appointed Mr Mark Quilliam as a vice president in the equity research department, to cover the chemical industry in the UK and Europe. He was vice president and European chemical analyst at Salomon Brothers International.

■ DOBSON PARK INDUSTRIES has appointed Mr Barry Steer as managing director of subsidiary Britains Petite. He was sales and managing director. Mr Tony Crump becomes head of marketing for both the Britains and Petite brands.

■ At SKANDIA LIFE ASSURANCE COMPANY Mr Andy Dyble has become financial director in addition to his role as company actuary. Mr Ian Smith becomes director of information technology and Mr Dennis Gamester becomes pensions director.

■ Mr Daniel Carter has been appointed a director of Arrowcroft and Arrowcroft Estates, the two principal operating subsidiaries of the ARROWCROFT GROUP.

■ Mr Stephen Tate, marketing director in MECCA's general leisure division, has been appointed marketing development director for Europe.

■ Mr Robert Race has been made director of corporate finance at CHARLTON SEAL SCHAVERIEN, stockbrokers.

■ SEDGWICK JAMES (London) has appointed Mr Eddie Hazel as managing director of the risk services division. He joins from Alexander Stenhouse where he was director of alternative risk financing and captives.

■ ST MODWEN PROPERTIES has appointed Mr Anthony Glossop as chief executive. He was managing director.

■ Mr David Hogg has been promoted to confidential invoice discounting managing director at UCB GROUP.

Mr Karsten Borch (pictured) has become chairman and chief executive of UNITED DUTCH SHIPPING. He was until recently a partner, A.P. Moller Group.

Mr Paul Brown (above) has been appointed to the new post of director of private banking and financial services division, and will join the executive committee of LLOYDS BANK. He will retain his previous duties as senior general manager in charge of the division.

■ Mr Mark Andrews has been appointed as banking director at GRENVILLE TRUST, private banking subsidiary of Granville & Co. He joins from Lloyds Bank where he was relationship manager for the bank's major clients in the commercial property and hotel sector.

■ Mr Tony Manning has joined TRICOM as group finance director. He was a senior partner and joint founder of the company's auditors, William Evans and Partners.

■ WACE GROUP has appointed Mr Ian Laurence as group marketing director. He joins from Acorn Computers where he was marketing director.

■ At PHIPPS PLASTICS Mr Keith MacDonald has been made a director and general manager in succession to Mr Keith Kenyon who is leaving the company.

■ EXTEL FINANCIAL has appointed Mr Richard Kellett-Clarke as finance director. He was finance director of Pickwick Group. Mr Michael Ter-Berg has been made manager,Europe.

■ Mr Andrew Dewar has been appointed as sales and marketing director for DECLAN KELLY HOMES, part of the Declan Kelly Group. He moves from Hamptons where he was managing director of the Southern Counties division.

■ BRITISH RAIL's Network South East has appointed Mr Graham Hewett as director, strategic review. He joins from the Department of Transport where he was assistant secretary in the international transport division.

■ Mr Homer Cox has been appointed financial director of H.L. COMMUNICATIONS, a division of the Hawthorn Leslie Group. He was with American Express Europe.

■ CDMS has restructured its management. Mr Malcom Landau is managing director, Mr Francis Armelin business development director and Mr Frank McGlynn finance director. Mr Mike Ramsey is marketing services director, Mr David Garth resources director and Mr Alex Taylor operations director. Mr Brian Billington is credit director and Mr David Heap corporate affairs director.

■ Mr John Anderson has been promoted to the board of P&P MICRO DISTRIBUTORS. He is director-in-charge of sister company P&P Distribution.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	49.82	49.80xd	53.29	+0.41	5.14
Gilts & Fixed Int	6	105.9	105.9	112.3	+0.4	[illegible]
High Inc Equity	6	136.0	136.0xd	145.5	-0.2	[illegible]
Worldwide Bond	6	195.0	195.0xd	206.6	—	[illegible]
Capital Growth						
American Growth	6	179.7	181.4xd	193.0	+0.3	1.13
Asian Pacific	6	126.7	126.7	135.6	-2.3	[illegible]
Assets & Earnings	6	157.5	157.5	168.5	-0.3	3.09
Capital Reserve Acc	0	88.60	88.60	88.68	-0.08	6.77
Capital Reserve Inc	0	78.62	78.62	78.68	-0.07	7.63
Comdty & Energy	6	118.4	118.4	126.7	—	1.50
Dividend & Growth	6	46.75	47.76	50.81	—	4.43
1992 Enterprise	6	62.56	62.56	66.91	+0.09	2.43
Euro Capital Acc	6	101.9	102.3	109.1	+0.1	0.64
Euro Capital Inc	6	98.14	[illegible]	105.2	+0.2	[illegible]
General	6	177.4	177.4xd	189.8	-0.6	2.63
International	6	62.26	63.00xd	67.11	-0.12	0.75
Japan	6	115.4	115.4	123.5	-0.2	0.00
Mastertrust	6	91.05	91.06	97.38	+0.08	[illegible]
UK Growth Acc	6	182.1	182.1	194.8	+0.1	[illegible]
UK Growth Dist	6	120.4	120.4	128.8	—	2.47
US Emerging Cos	6	51.72	53.11	56.50	+0.44	0.00
Income & Growth	6	303.7	303.7	324.9	-0.6	3.15
Ethical	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Aktrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 [illegible]

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible] Inc & Growth	5¼	31.32	31.32	33.43	-0.01	[illegible]
European	5¼	83.73	83.90xd	89.57	-0.05	0.00
European Income	5¼	80.56	80.61	86.05	+0.26	[illegible]
Exempt	1	748.5	748.5xd	778.5	+1.60	[illegible]
Extra Income	5¼	43.73	43.73	46.68	-0.14	4.19
[illegible]	5¼	63.14	64.09	68.64	[illegible]	0.01
Fixed Inv Tst	5	129.7	136.4	145.8	-0.20	[illegible]
Do Accum	5	203.3	214.2	228.7	-0.30	1.37
Gilt & Fixed Int	5¼	18.70	19.10	20.79	[illegible]	12.85
Income & Growth	5¼	70.[illegible]	70.[illegible]xd	75.67	—	[illegible]
Intl Income	5¼	64.30	64.30xd	68.64	[illegible]	[illegible]
Japan	5¼	201.8	201.8	215.5	+0.30	0.09
Pacific(10-1)	5¼	44.25	44.70	47.87	[illegible]	0.01
Secure Income	5	190.9	190.9xd	203.8	-0.40	[illegible]
Smaller Companies	5¼	55.27	55.27	59.00	[illegible]	2.05
Special Situations	5¼	69.32	69.32	74.00	-0.01	[illegible]
UK Growth	5¼	37.50	37.[illegible]	40.03	[illegible]	[illegible]
World Growth	5¼	54.[illegible]	54.[illegible]	58.58	-0.15	[illegible]

GUIDE TO UNIT TRUST PRICING

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 4545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	47.31	48.57	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European Opps	5	72.50	72.78	[illegible]	[illegible]	[illegible]
(Accum Units)	5	72.90	73.18	[illegible]	[illegible]	[illegible]
Far Eastern Opps	5	[illegible]	137.09	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Golden Opps	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intl Hi-Yield	5	57.78	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	62.72	[illegible]	[illegible]	[illegible]	[illegible]
Samps Japan Tst	5	72.74	72.74	[illegible]	[illegible]	[illegible]
(Accum Units)	5	72.74	72.74	[illegible]	[illegible]	[illegible]
Kangaroo	5	32.06	32.06	[illegible]	[illegible]	[illegible]
(Accum Units)	5	33.05	33.05	[illegible]	[illegible]	[illegible]
Oriental Income	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Technology	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tiger	5	147.08	[illegible]	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Hi-Yield	5	43.47	43.47	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Opps	5	54.91	54.91	[illegible]	[illegible]	[illegible]
(Accum Units)	5	[illegible]	60.74	[illegible]	[illegible]	[illegible]

Three Counties Asset Mngmt Ltd (1430)F
Oxdown House, Tower Rd, Warrington [illegible]
Balanced Portfolio . 6 93.85 94.29 100.20 [illegible]

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd
Closed to new business

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society
AA Friendly Sc Jan 22 ... 177.0

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser 1	302.4	317.3	-	-
Equity Ser 1	134.0	141.1	-0.5	-
Prop. Acc. Ser 2	[illegible]	[illegible]	-	-
Equity Ser 2	155.4	163.6	-0.7	-
Selective Acc.	[illegible]	[illegible]	-0.4	-
Prop. Ser 4	[illegible]	[illegible]	-	-
Equity Ser 4	157.0	165.3	-0.4	-
Man. Ser 4	[illegible]	[illegible]	-0.4	-
Fixed Int. Ser 4	215.5	227.0	-0.5	-

Royal Exchange—Contd.

Laurentian Life plc—Contd.
Formerly Trident Life

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Equity Ser 3 Acc.	488.2	513.9	-3.7	-
Gtd Managed Acc.	345.7	363.9	+0.2	-
Pension Funds				
Pens Equity	657.1	691.7	-5.2	-
Pens Managed	605.7	637.6	-2.5	-
Pens Gilt-Edge	377.9	397.8	+0.4	-
Pens Deposit	368.8	388.2	-	-
Pens Property	561.4	590.9	-	-
Swiss Bond	176.0	185.3	-0.6	-

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI Intl Equity	392.5		+2.2	-
MI Intl Equity Pens	619.5		+4.5	-
MI International Fund	372.4		+1.7	-
MI Intl Fd Pens	545.8		+3.5	-
MI Nth American Equity Fund	135.5		+0.8	-
MI Nth Am Equity Pens	151.0		+1.1	-
MI Far East Equity Fund	330.4		+0.9	-
MI Far East Equity Pens	450.8		+1.5	-
MI Currency Fund	203.1		+0.1	-
MI Currency Fd Pens	260.9		+0.2	-

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	105.3	110.9	......	−
Managed Growth	141.7	149.2	+0.6	−
Managed Opportunity	146.0	153.7	+0.8	−
NFMC Target Financial	102.6	108.0	+0.2	−
Pension Funds				
Managed Cautionary	110.0	115.8	......	−
Managed Growth	146.4	154.2	+0.9	−
Managed Opportunity	149.4	157.3	+0.8	−
NFMC Target Magd Pens	1540.9	1622.1	−8.0	−

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	227.7	239.7	......	−
Managed Prospect Fund	191.0	201.1	......	−
Pens Managed	288.8	304.0	......	−
Pens UK Equity	345.9	364.2	......	−
Pens Overseas Equity	382.2	402.4	......	−
Pens Property	170.1	179.1	......	−
Pens Fixed Interest	176.5	185.8	......	−
Pens Index Linked	146.8	154.6	......	−
Pens Deposit	188.7	198.7	......	−
Harvester & P.R.P.				
UK Equity	151.1	159.1	......	−
Overseas Equity	136.8	144.0	......	−
Fixed Interest	120.5	126.9	......	−
Property	141.5	149.0	......	−
Index Linked	133.3	140.4	......	−
Deposit	130.9	137.8	......	−
Managed	145.5	153.2	......	−
With Profits	134.4	141.6	......	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Providence Capital Life Assc. Co Ltd — Contd.

Royal Heritage Life Assurance Ltd — Contd.

Shield Assurance Ltd

Sun Alliance Group

Tunbridge Wells Equitable
0892 515353

Sharp (Albert E.) & Co.
12 Newhall Street, Birmingham B3 3ER 021 200 2244

	Bid Price	Offer Price	+ or −	Yield Gross
Man-Clerical Med.	145.5	153.2	−0.6	−
Pens Man NM	676.3	711.8	−0.7	−

Siltala Fund Managers Limited
Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

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Gartmore Luxembourg SA

Henderson Management SA

Hill Samuel Investment Services Intl SA

NM Financial Mngt Intl Ltd

Nikko Capital Mngt (Europe) Ltd

Stronghold Asset Mngmt (Guernsey) Ltd

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

JERSEY (**)

SWITZERLAND

CANADA

GUERNSEY (**)

Save & Prosper International

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

Yamaichi 1992 OBNI Fund SICAV

OTHER OFFSHORE FUNDS

Adig Investment

Alliance Capital

Gartmore Investment Ltd

Genesis Fund Managers Ltd

German Selection Associates N.V.

Gertrust SA

Global Asset Management Corp

Nomura Asia Europe Fund

Nomura Dragon Global Fund

Nomura Growth Fund SA

Nomura Prudential Fd Pt II

Nomura Prudential Global Portfolio

Nomura Rosenberg Alpha Fund Mark II

North Star Fund Managers (Cayman) Ltd

Tyndall International (Bermuda) Ltd

US Pacific Stock Fund

Unico Invest Fd Mgt Co SA Lux

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

WORLD STOCK MARKETS

US MARKETS (3pm)

February 9	US$	+ or −
AAR	31⅜	+¼
AMCA	3½	.....
AMR Corp	55	−⅝
ASA	69⅛	−⅜
Abbott Labs	64⅛	−⅛
Acme Cleveland	9⅜	−⅜
Adobe Res	13⅝	−⅛
Advanced Micro	7⅛	−⅛
Aetna Life	49½	−¼
Affil Publ.	11	−⅛
Ahmanson (H F.)	18⅛	+⅜
Air Prod & Chem	45⅝	+⅜
Alberto-Culver	43⅛	−⅛
Albertson's	52⅛	+⅛
Alcan Aluminium	19⅛	−⅛
Alco Standard	31⅜	−¼
Alexander & Al	27⅛	....
Alex Baldwin	34⅛	+1⅛
Allegheny Power	39⅝	−⅛
Allied Signal	35⅜	+⅛
Aluminum Co of Am	61½	−½
Amax	23⅛	....
Amdahl Corp	14⅛	−⅛
Amerada Hess	48⅜	+⅛
Am Brands	66⅞	−⅛
Am Cyanamid	50⅜	+⅜
Am Elect Power	30⅛	+⅛
Am Express	29⅛	−⅛
Am Family	15⅛	−⅛
Am Gen Corp	28⅞	−⅜
Am Greetings	30⅛	−⅛
Am Home Prod	103⅛	−⅛
Am Intl Group	93⅞	−⅜
Am National Insce.	35½	.....
Am Petrofina	81½	[illegible]

INDICES

NEW YORK

DOW JONES	Feb 8	Feb 7	Feb 6	Feb 5	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2644.37	2640.09	2606.31	2622.52	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.98	90.68	90.80	90.94	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1084.99	1082.86	1071.12	1074.15	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.90	223.59	222.71	223.91	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2674.32 (2651.35) Low 2622.30 (2579.28)

STANDARD AND POOR'S

	Feb 8	Feb 7	Feb 6	Feb 5	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	332.96	333.75	329.68	331.85	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	384.99	385.39	380.09	382.92	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.91	28.12	27.82	28.07	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	184.09	184.31	182.33	183.35	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	357.69	356.35	354.74	354.70	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	427.32	426.79	423.99	424.73	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 2	Jan 26	Jan 19	year ago (approx.)
Dow Industrial Div. Yield	4.16	4.20	3.99	3.45

	Feb 7	Jan 31	Jan 24	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.11	3.04
S & P Indl. P/E ratio	14.23	14.04	14.09	13.85

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Varity Corp	2,414,100	3¼	− ⅛
Philips Pet	2,345,200	26½	+ ⅜
Bank of N Eng	2,211,300	5¼	− ⅜
Am T&T	2,029,600	40¼	+ ⅛
IBM	1,983,000	102⅛	− ⅜
Philip Morris	1,870,800	39⅜	+ ⅜
Tandem Comp	1,850,300	27⅜	.....
Baxter Intl	1,519,600	24⅝	+ ⅜
Unocal Corp	1,498,300	30¼	+ ⅜
First Cap	1,498,000	5	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 8	Feb 7	Feb 6
New York	176.240	186.710	134.972
Amex	13.730	11.852	12.377
NASDAQ	140.027	149.301	119.698
Issues Traded	1,956	1,936	1,971
Rises	769	951	579
Falls	695	553	895
Unchanged	492	432	497
New Highs	40	31	15
New Lows	39	72	67

CANADA TORONTO

	Feb 8	Feb 7	Feb 6	Feb 5	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3000.08	3040.07	3017.54	3056.23	3919.2 (1/9/89)	3000.08 (8/2/90)
Composite	3783.33	3779.23	3769.06	3767.21	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1907.52	1906.47	1896.35	1896.00	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 9	Feb 8	Feb 7	Feb 6	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1630.6	1648.4	1645.6	1668.8	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	833.0	842.2	834.3	848.9	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	631.38	628.65	616.13	627.63	631.38 (9/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6103.82	6116.13	6164.76	6199.59	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	376.21	375.61	376.96	379.20	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	665.4	665.6	670.6	671.6	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	522.39	519.22	521.73	526.67	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1898.25	1905.51	1895.24	1916.33	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	791.04	796.88	790.69	806.40	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2319.9	2338.6	2322.8	2370.8	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1885.89	1915.79	1900.18	1937.72	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2895.90	2903.77	2844.89	2792.89	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1848.78	1846.43	1842.37	1840.86	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	671.82	677.73	680.28	686.22	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37288.14	37516.24	37301.87	37666.83	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2734.17	2745.15	2750.36	2766.13	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4284.68	4258.57	4224.91	4197.91	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	605.79	611.00	611.97	610.95	611.97 (7/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tl.Rtn Gen.(End 1983)	252.1	253.9	249.4	253.0	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.4	194.7	191.4	194.1	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	803.41	810.32	798.48	799.51	810.32 (8/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1041.06	1035.54	1038.91	1032.38	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	438.82	440.17	440.75	443.34	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2174.04	2205.0	2220.0	2227.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3178.04	3198.0	3210.0	3211.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	879.10	882.52	880.39	886.86	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	286.52	288.47	288.27	291.35	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	773.2	776.1	767.0	771.0	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12417.47	12054.51	12154.98	12209.36	12417.47 (9/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	805.39	805.39	760.39	798.12	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	543.9	544.3	546.1	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 3: Taiwan Weighted Price: 11869.40 Korea Comp Ex. 874.92.

& Subject to official recalculation.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Sharp energy price rises cut no ice in New York

Wall Street

A SHARP rise in energy prices, which led to the biggest monthly jump in the US producer price index since 1975, failed to excite Wall Street yesterday, *writes Anatole Kaletsky in New York.*

Share prices were almost unaffected by the producer price figures and the Dow Jones Industrial Average spent most of the morning within a band of 10 points on either side of its overnight close. By 1.30 pm the Dow stood 5.40 up at 2,649.77, having risen by 4.98 on Thursday.

Volume was moderate with 92m shares changing hands by lunchtime, but most of the trading was done in the morning before lethargy set in.

The bond market also responded phlegmatically to the producer prices. The Treasury's old benchmark long bond, the 8¼ per cent of 2019, was up ½ at 96⅝ in early afternoon trading. It yielded 8.43 per cent at this price. The new long bond, the 8¼ per cent of 2020, was quoted at 101¼, to yield 8.39 per cent in when-issued trading. Federal Funds ranged between 8¼ and 8⅜ per cent.

The bond and stock markets' indifference to the 1.8 per cent jump in the January producer price index was explained by the overwhelming impact of energy prices on the month's inflation. Excluding food and energy, the PPI increased by only 0.1 per cent, a better performance than expected, and this helped to mitigate the shock of the overall PPI report.

Although analysts knew that fuel prices had risen abruptly as a result of the exceptionally cold weather around the country in December, they underestimated the magnitude of this effect. Thus, the consensus estimate on Wall Street had been for a total PPI increase of 1.3 to 1.5 per cent and an 0.3 per cent advance in the non-food and energy components.

December's frigid weather has been followed by an unusually warm January and February, and analysts expect last month's fuel price increases to be reversed.

Given this generally favourable price picture, some equity investors hoped that the bond market would provide stronger leadership, now that the Treasury's quarterly refunding auctions had been completed. Thus the Dow rose about 14 points in early trading, on hopes that the interest rate picture would improve. When bond prices stalled, however, equities, too gave up most of their gains.

Blue chips were narrowly mixed, with the heaviest trading seen in Philip Morris, up $⅛ to $39⅛, Chase Manhattan, down $⅝ to $28⅛, AT&T, which fell $⅛ to $40, and IBM, which gave up $¼ to $102⅛.

The only special situation was Great Northern Nekoosa, which rose $1⅛ to $60⅛, after a federal judge ruled that Georgia-Pacific would need only a two-thirds vote of shareholders to replace the board. Chrysler advanced $⅝ to $16⅝ in response to an unconfirmed report that it was negotiating a leveraged buy-out of its Gulfstream Aviation unit.

Canada

A FALL among gold shares pulled stocks in Toronto down by midsession in modest trade. However, the oil and gas index continued to climb as investors were optimistic about price increases. The composite index lost 3.8 to 3,779.5 on volume of 73m shares. Declines led advances by 226 to 211.

Texaco Canada shares rose 1 cent to 95 cents in light trade after the company, in its first year of operation, reported a loss of C$12.8m.

Grey areas discolour much green imagery

Stephen Fidler investigates why building your green share portfolio could well be more complicated than you think

THE NEW world consensus is that it is no longer possible merely to contain environmental deterioration. Sustained and active efforts have to be made to reverse the process. This change in popular perception is starting, perhaps belatedly, to have a big impact on government policy.

The range of concern is broad. Worries about pollution of the atmosphere cover acid rain, global warming, the destruction of the ozone layer through the use of chlorofluorocarbons, for example in aerosols, and the spreading of toxic substances, such as those from car emissions.

On land, the focus is on producing organic food and reducing the use of artificial fertilisers, of recycling paper, glass, plastic, metal and oil, and of waste management. On top of that, there are concerns about pollution of inland waterways and the sea.

Estimates by Paribas Capital Markets Group, in a review of the companies likely to benefit from environmentalism, put the amount currently spent on pollution control in the European Community at less than 1 per cent of national income. Yet 3 per cent to 5 per cent of national income is lost, it estimates, through the damage done by pollution, through lower agricultural production and the damage to buildings and health.

If Europe follows the lead of the Dutch Government, which plans spending on the environment of 3.5 per cent of national income by 1994, the market in greening the EC could be worth $225bn a year by the turn of the century.

Add in the degradation of the countries of Eastern Europe – the World Bank estimates that retrofitting Poland's power stations to combat pollution will cost $20bn – and it becomes a huge industry.

Yet building your green share portfolio could be more complicated than you think. Among companies, there will be winners and losers. Many will be winners *and* losers. And those companies that try to portray the greenest image are not necessarily those that will benefit most from greater concern for the environment.

"British Petroleum is a good example of a company whose green credentials need to be questioned," says Paribas. "A £20m green advertising campaign is being carried out." Environmental groups have questioned its status as a green company in the light of the failure of UK petroleum companies to encourage the recycling of oil, for example.

Investing in the companies most likely to benefit is difficult. One example – the use of lead-free petrol – shows how fraught the issue is. While motorists are pumping less lead into the atmosphere, they are probably accelerating the global warming by consuming up to 10 per cent more fuel. As Paribas points out: "Stricter environmental standards are likely to turn some allegedly 'green' concerns into villains as they find the environmental goalposts moved."

Many leading companies in the field are part of large corporations, the other activities of which may be less than ecologically sound. Many other companies are private. Even those publicly quoted and in the "right" businesses could be risky.

Take Leigh Interests, the quoted UK landfill specialist. One of its main interests is a landfill site which it says is surrounded by clay. As Paribas points out: "It is used for the placement of various hazardous wastes on the assumption that no leakages into the ground water system can take place. But what if they do? Making good the damage will not be cheap."

In a stricter regulatory climate, companies involved in operating incineration plants could face heavy costs in restoring soil quality, it adds.

So what are Paribas's first choices for an initial portfolio of European environmental stocks? In France, it has gone for Générale des Eaux – Europe's leading waste management company – and Lyonnaise des Eaux and its 63 per cent subsidiary, Sita, which control a lot of the rest of the market. These companies are also well positioned to address water pollution issues, particularly in the UK where there is great concern about water quality. It also likes Air Liquide.

In the UK, it names Shanks and McEwan, Attwoods, HT Hughes – all landfill companies concentrating on non-hazardous waste – and Caird, which has a waste incineration division and scarce landfill sites. In West Germany, the choices are Bilfinger & Berger, with its water purification expertise, Metallgesellschaft/BUS, which makes incineration, recycling and sewerage hardware, RWE, also a maker of incineration and recycling equipment, and KSB, a water pump manufacturer.

In the Netherlands, it chooses Norit, specialising in activated charcoal water purification systems, and Grontmij, which offers equipment and consultancy services for air pollution detection and remediation, land restoration and landfill. Spanish companies favoured are Aguas de Barcelona, in which Lyonnaise has a 20 per cent stake, and Focsa.

Paribas avoids trying to limit its shares to those popularly perceived as ethical or green shares. Indeed, so-called ethical investment has its pitfalls.

Last year, the Economist magazine constructed a notional Abusive Fund based on six "unethical" sectors: South African industrial and mining stocks, and London-listed tobacco companies, breweries, oil companies and chemical firms. The fund overall made impressive 50 per cent gains. Meanwhile, the average return for your ethical investor was a mere 15 per cent.

EUROPE

Frankfurt succumbs to slide in domestic bonds

THE SPECTRE of higher interest rates haunted the Continent yesterday, as depressed bourses saw the yield gap widening between bonds and equity investments, *writes Our Markets Staff.*

FRANKFURT succumbed to the fifth consecutive day of declines in domestic bonds. Bond prices fell by up to 90 pfg yesterday in spite of an initial attempt at a rally, and a confident, measured assessment of economic prospects by the Bundesbank president, Mr Karl Otto Pöhl, in the context of monetary union between East and West Germany.

The FAZ and DAX indices continued the correction interrupted by bullish Soviet news on Thursday: the former took a midsession fall of 5.84 to 791.04, down 0.5 per cent on the week, and the latter closed 29.90 lower on the day, and 1.3 per cent over five days, at 1,885.89.

Volume slid from DM12.1bn to DM9.5bn as profit-taking focused on the international blue chips which have led the market up in recent months. Daimler fell DM13.50 to DM907, Deutsche Bank DM18 to DM821 and Siemens DM19.80 to DM772.50. However, BMW was also deemed rich pickings after a six-session rise of DM101, and fell DM14 to DM620.

PARIS fell in modest volume as investors sat and worried about the higher-than-expected US producer prices figures, domestic interest rates and German reunification. The CAC 40 index ended 7.26 points down at 1,898.25 after a small opening rise; the index lost 1.4 per cent over the week.

Béghin-Say, the sugar group, lost FFr23 to FFr790. A block of 5 per cent of the company's shares was bought by Ferruzzi of Italy, which already held a majority of the voting rights.

Compagnie Bancaire, the financial services group, lost FFr13 to FFr564 after announcing higher profits but warning of a difficult year ahead.

The biggest gain of the day was a FFr35 rise in Ecco, the temporary employment agency, to FFr520 in active trading of 74,125 shares.

AMSTERDAM followed the bond market lower amid fears of a rise in interest rates. The CBS tendency index shed 0.9 to 110.4 – 2.8 per cent below the previous Friday's close.

KLM, the airline, fell further after the previous day's disappointing results, losing Fl 1.60 to Fl 34.80 on volume of 545,101 shares. Hoogovens, the steel producer, dropped Fl 2.20 to Fl 67.80 on strike prospects.

MILAN flopped on thoughts of Monday's monthly deadline for options contracts, heavy sales by mutual funds, flagging interest from foreign investors and the approach of a capital gains tax.

The Comit index fell 5.91 to 671.82 for a 1.8 per cent drop on the week. Traders said that the market's losing streak was accentuated by an unexpected surge in volume.

In the banking sector, Mediobanca slipped L325 to L18,420; in insurances, RAS fell L780 to L24,200; and among industrials, Olivetti shed L175 to L6,890, down L395 over the last four days.

ZURICH took profits before the weekend, worried about Frankfurt and closed in the uncertain, cautious mood in which it had opened the week. The Crédit Suisse index eased 3.1 to 615.1 to end the week with a rise of 0.2 per cent.

MADRID eased amid fears that economic statistics on Monday will reveal a rise in inflation. The general index was off 1.95 at 286.52, but it was 1.2 per cent higher over the week. Equities also suffered as investors switched their money into higher yielding government bonds.

VIENNA hit its second consecutive high on sustained interest from foreign investors. The bourse index added 3.4 to 662.47 in lively trade, a 5 per cent rise on the week. Construction stocks and regional banks were in highest favour.

OSLO eased in active profit-taking after a string of record highs, the all-share index losing 2.34 to 606.24 in trading worth a total of NKr486m, for a 4.5 per cent gain on the week.

STOCKHOLM ended mixed as political uncertainty followed the government plan to introduce a tough economic package. Turnover, at SKr83m, was still limited by the bank workers' strike. The Affärsvärlden general index lost 5.5 to 1,236.9, down 1.8 per cent over the week.

Trading resumed in Esselte, the office supplies and media group which is the target of Sweden's largest leveraged buy-out attempt. Its free Bs climbed to SKr235, up SKr20 from their price before suspension on Monday.

Ericsson, the telecoms group, slipped SKr26 to SKr947 on profit-taking after a slightly better-than-expected 1989 report on Thursday.

BRUSSELS lost further ground. After shedding 48.63 on Thursday, the cash market index slid 12.31 yesterday to 6,103.82 for a 2 per cent fall over the week.

Industrial stocks were the main losers. Cockerill Sambre, the steel company, rapidly lost the gains it made on Thursday after announcing it had bought a majority stake in Ymos, a West German auto-parts maker. It fell BFr4 to BFr188. Arbed, the Luxembourg steel maker, shed BFr50 to BFr4,500.

HELSINKI barely moved as trading activity was reduced to a trickle by a banking dispute. The Unitas all-share index fell 0.2 to 665.4.

SOUTH AFRICA

GOLD shares closed easier in Johannesburg as the bullion price remained listlessly below $420. The rest of the market also drifted lower in thin trading. The gold index fell 3.4 per cent on the week.

ASIA PACIFIC

Volume subsides before the long weekend

Tokyo

ARBITRAGE selling and small-lot profit-taking sent share prices lower yesterday, with investors largely choosing to remain uncommitted before the long weekend, *writes Michiyo Nakamoto in Tokyo.*

Volume hit a five-month low, falling from 430m to 364m shares, and prices remained sluggish throughout the day after falling heavily in the morning. The Nikkei average moved from a high of 37,509.07 to a low of 37,192.88, closing down 238.10 at 37,288.14, a 1 per cent fall on the week.

Declines outnumbered advances by 574 to 353 with 204 unchanged. The broad-based Topix index fell 10.98 to 2,734.17 and, in London, the ISE/Nikkei 50 index eased 1.05 to 2,013.81.

The last time volume sank to a level as low as yesterday's was on August 29 last year, when worries about a falling yen and the downward earnings revision of a leading high-technology company had cast a cloud on an already sluggish summer market. Most of yesterday's activity was index-linked, including buying by index funds and selling by arbitrageurs unwinding their futures positions.

Although the majority of investors are likely to keep a low profile until after the national elections to be held a week from tomorrow, there was still a chance that interest would start to revive as early as next week, said Mr Hiroshi Taguchi at Nomura Securities.

Buying was scattered, with some heavy capital issues enjoying a return to favour. Kobe Steel turned up at the top of the volumes list with 5.7m shares and rose Y13 to Y738. NKK followed with 5.1m shares and nudged up Y2 to Y695. Kawasaki Steel, however, which was third in volume with 4.9m shares, remained depressed, losing Y9 to Y777.

Some smaller issues were fancied for their scrip issue prospects. Riken Vinyl was sixth in the most actives list, rising Y100 to a record Y1,410. Interest in Riken was fanned further by rumours that speculators were buying.

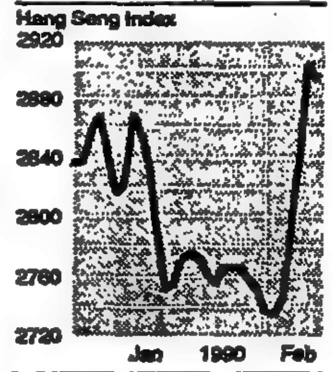
A move in Osaka to buy high-tech and high-priced issues was seen by one analyst as a sign that buying interest could start to build up in the market focusing on such issues. Nintendo, the maker of TV video games, for example, rose Y1,000 to Y18,300 on heavy volume. The OSE index rose 47.97 to 38,642.34, as volume climbed to 76.6m shares from 59.6m on Thursday.

Roundup

INVESTORS in both Hong Kong and Singapore decided they could not afford exposure over the weekend, and profit-taking set in after strong recent gains. Taiwan, however, bounced back to record levels.

HONG KONG became the target for profit-takers after the week's 157-point gain on the Hang Seng index. The index shed 9.87 points yesterday to 2,893.90, leaving it 5.7 per cent higher over the week. One analyst said that local investors had profited most from the aggressive buying in the recent bull market.

Hong Kong



Turnover was a respectable HK$1.52bn, compared with HK$1.97bn on Thursday.

SINGAPORE also encountered profit-taking after Thursday's record close at the end of a two-week bull run.

The Straits Times Industrial index shed 7.26 to 1,581.52, giving it a rise this week of 2 per cent. Turnover tumbled to 153m shares compared with Thursday's 214m.

TAIWAN shook off the weakness of the past few days and advanced to record levels, with strong gains by mutual funds boosting confidence. The weighted index rose 362.96 points, or 3 per cent, to 12,417.47, a rise on the week of 1.6 per cent. Volume picked up to 1bn shares from 749m.

AUSTRALIA declined as the market remained preoccupied with the high level of corporate debt, following the appointment of a provisional liquidator at Westmex earlier in the week. The All Ordinaries index lost 17.8 to 1,630.6, a fall on the week of 2.3 per cent.

Among highly geared companies, Adelaide Steamship fell 32 cents to A$4.72, with 1.33m shares traded, and News Corp dropped 40 cents to A$10.45. Total volume was 115m shares worth A$204m.

NEW ZEALAND fell to its lowest level for more than six months, as the Barclays index lost 7.46 to 1,905.02.

SEOUL eased in moderate trading, after reports that the Korean Securities Supervisory Board had charged executives of three listed firms with insider trading. The composite index fell 3.42 to 879.10.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 8 1990						WEDNESDAY FEBRUARY 7 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	144.27	−0.7	126.79	127.43	+0.1	5.30	145.38	126.81	127.33	160.41	128.28	152.27
Austria (19)	246.46	+0.3	216.60	214.25	+1.5	1.24	245.70	214.34	211.14	247.58	92.84	95.74
Belgium (61)	146.60	−2.0	128.84	126.54	−1.1	4.40	149.67	130.57	127.89	160.02	125.58	135.12
Canada (120)	141.64	−0.1	124.48	122.77	+0.3	3.30	141.73	123.64	122.43	154.17	124.57	135.33
Denmark (36)	256.51	−1.0	225.43	224.50	−0.4	1.49	258.97	225.92	225.42	260.82	165.36	158.03
Finland (26)	150.89	−0.5	132.61	124.92	+0.2	2.40	151.67	132.31	124.62	159.16	118.63	145.02
France (125)	151.51	−0.5	133.16	134.99	+0.4	2.79	152.23	132.80	134.50	157.97	112.57	119.98
West Germany (96)	133.99	−0.5	117.76	116.51	+0.6	1.82	134.61	117.43	115.78	137.01	79.98	86.30
Hong Kong (48)	119.62	+2.3	105.12	119.05	+2.3	4.76	116.95	102.03	117.26	140.33	90.41	133.77
Ireland (17)	196.58	−0.8	172.76	174.92	+0.3	2.39	198.08	172.80	174.39	198.57	125.00	138.75
Italy (96)	97.38	−1.1	85.58	90.49	−0.3	2.54	98.46	85.90	90.78	102.11	74.97	79.72
Japan (455)	183.91	−0.2	161.62	168.97	−0.2	0.48	184.19	160.68	169.35	200.11	164.22	196.10
Malaysia (36)	243.30	−0.2	213.82	253.46	−0.2	2.11	243.87	212.74	254.06	243.87	143.35	158.66
Mexico (13)	357.13	+0.8	322.65	1095.03	+0.5	0.47	364.09	317.62	1085.96	371.93	153.32	165.00
Netherland (43)	139.50	+0.9	122.60	120.12	+2.0	4.48	138.21	120.57	117.80	145.66	110.83	114.46
New Zealand (18)	68.76	−1.4	60.45	61.63	−1.2	5.72	69.78	60.87	62.40	88.18	62.64	74.39
Norway (24)	241.53	+1.4	212.26	211.45	+1.9	1.30	238.12	207.73	207.58	241.53	139.92	180.46
Singapore (25)	196.21	−0.5	172.43	168.36	−0.3	1.73	197.26	172.09	168.95	198.35	124.57	142.97
South Africa (60)	241.94	−2.7	212.62	175.41	−0.7	3.18	248.57	216.84	176.68	251.39	115.35	126.11
Spain (43)	158.10	−1.1	139.03	130.15	+0.0	4.03	160.02	139.60	130.20	169.75	143.14	147.29
Sweden (35)	198.04	−0.5	174.04	179.20	+0.2	1.96	199.06	173.65	178.87	206.95	138.46	150.60
Switzerland (62)	97.24	+0.4	85.46	90.10	+1.3	1.99	96.87	84.51	88.91	99.12	67.81	76.79
United Kingdom (306)	160.21	+0.2	140.80	140.80	+0.5	4.49	159.93	139.52	139.52	164.31	133.28	152.43
USA (542)	134.79	−0.2	118.46	134.79	−0.2	3.52	135.00	117.77	135.00	146.29	112.13	120.53
Europe (989)	144.54	−0.2	127.03	126.73	+0.7	3.38	144.83	126.34	125.88	146.66	112.60	120.76
Nordic (121)	199.53	−0.5	175.35	170.32	+0.1	1.70	200.47	174.88	170.08	201.89	137.95	146.50
Pacific Basin (667)	180.03	−0.1	158.22	165.47	−0.2	0.73	180.28	157.27	165.76	194.72	160.44	191.61
Euro – Pacific (1656)	166.08	−0.2	145.94	150.06	+0.1	1.66	166.32	145.09	149.88	174.18	141.56	163.26
North America (662)	135.10	−0.1	118.73	134.04	−0.1	3.50	135.31	118.04	134.21	146.66	112.79	121.32
Europe Ex. UK (683)	133.57	−0.4	117.39	117.94	+0.5	2.64	134.16	117.04	117.34	125.73	96.30	101.28
Pacific Ex. Japan (212)	133.43	+0.1	117.26	121.54	+0.8	4.71	133.28	116.27	120.83	140.05	111.93	137.88
World Ex. US (1849)	166.06	−0.2	145.94	149.70	+0.1	1.73	166.37	145.14	149.62	176.77	141.49	161.94
World Ex. UK (2085)	153.27	−0.2	134.70	145.04	−0.1	2.05	153.60	134.00	145.15	162.00	136.58	145.38
World Ex. So. Af. (2331)	153.33	−0.2	134.76	144.38	+0.0	2.27	153.57	133.97	144.32	161.84	136.67	146.10
World Ex. Japan (1936)	139.92	−0.2	122.96	132.13	+0.2	3.49	140.19	122.30	131.85	145.52	114.51	121.92
The World Index (2391)	153.87	−0.2	135.23	144.61	+0.0	2.28	154.15	134.47	144.58	162.05	136.88	145.99

Prices for Finland & Sweden were not fully updated following problems at the exchanges.
Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS – Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI has been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS – Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	259	−8	44c	1.4	7.7	9.2
191	134	Abbey National 10p	184	−1	L7.7	2.7	5.6	7.5
*282	120½	Allied Irish Ord	259	−1	‡hQ68%	3.3	3.1	13.3
£13½	£11½	Algemene Fl.10	£22½	−½	Q28%	2.0	7.4	6.7
*85	61	Anglo Irish	85	+5	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	79	.....	2.0	−	3.6	−
£72½	£38¼	Bancaire Cie Fr100	£59⅞	+⅛	kQ17½%	−	2.2	−
£46½	£36½	Banco Bilbao Viz	£39⅞	−⅛	Q36.7%	2.0	3.4	14.6
£33	£26⅝	Banco de Santander	£27⅝	.....	Q21%	♦	3.0	♦
*288	169	Bank Ireland Ir£1	269	.....	‡hQ12.7%	3.2	4.3	9.2
£19½	£17½	Bank Leumi	£19½	.....	−	−	−	−
350	345	Bank Leumi (U.K.)	345	.....	†13.5	−	5.2	−
125	68	Bank Scotland	118	.....	†3.8	3.6	4.3	8.5
111¼	95½	Do. 9¼pc Irrd Pf	97½	.....	9¼%	−	12.6	−
*67	49	Bank of Wales	52	−2	2.8	1.6	7.2	10.9
*588	404	Barclays £1	565	−1	†23.0	3.5	5.4	6.4
31	19	Benchmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	317	.....	†10.5	−	4.4	−
455	325	Cater Allen £1	420	+5	23.5	−	7.5	−
259	157	Chancery	175	+1	†8.0	2.8	6.1	7.7
£23¼	£14½	Commerzbk DM10	£23¼	−⅛	Q18%	−	2.8	−
*£29	£22½	C'hgn.Hbk.Kr100	£25¼	+⅛	Q15%	−	5.6	−
£16⅞	£10⅞	Dai Ichi KBk Y50	£12¼	.....	‡Q16%	8.8	0.3	41.0
*£314	£156¼	Deutsche Bk DM50	£294½	−4½	Q24%	−	1.5	−
£22¼	£17⅝	Espirito Santo	£19½	.....	Q75c	3.3	2.3	13.3
260	182	First Nat. Fin. 10p	221	.....	13.0	2.4	7.8	6.8
134	90	FNFC 6.3pc Cv. Pf	113	−2	6.3%	−	7.4	−
£16⅝	£13½	Fuji Bank Y50	£14¼	.....	Q15.6%	4.2	0.2	−
325	230	Gerrard & National	283	.....	18.5	−	8.7	−
154	118	Guinness Mahon 10p	154	.....	†2.1	−	1.8	−
328	197	Hambros 20p	322	−3	†10.0	−	4.1	−
127	90	Do. 7.5pc Cv Pf	127	.....	7½%	−	7.9	−
60	39	HK & Shang. HK$2.50	58	.....	HQ36c	−	4.8	−
495	423	Joseph (Leo) £1	478	.....	15.85	−	4.4	−
145	115	King & Shaxson 20p	145	.....	9.25	−	8.5	−
422	277	Kleinwort Benson Grp	421	−1	14.0	−	4.4	−
307½	213	Lloyds £1	289	−3	‡h11.2	4.5	5.2	5.7
56	40	Lon. Scot. Bank 10p	53xd	.....	2.4	♦	6.0	♦
406	287	Midland £1	371	+1	‡h16.4	3.3	5.9	6.9

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For other Water issues see London Recent Issues

OIL AND GAS

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	83	-2
Craig & Rose £1 γ	830	.....
Finlay Pkg. 5p. γ	58	.....
Holt (Jos) 25p γ	1340	+8

IRISH

Cap. 8½% Ln. 1991	£96⅞	.....
9pc Cap Ln. 1996	£93½	-½
Fin. 13% 97/02	£111½	.....
Arnotts	408	.....
Carrol (P.J.) γ	165	-9
Hall (R. & H.)	185	-5
Helton Hldgs. γ	100	.....
IRG	210	.....
United Drug	166xd	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	40
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FINANCIAL TIMES
Weekend February 10/February 11 1990

Royal Brierley
THE FINEST ENGLISH FULL LEAD CRYSTAL

Industry power bill may rise sharply

By Maurice Samuelson

ELECTRICITY PRICES for Britain's heavy industries are expected to be frozen for a year but could then rise by up to 40 per cent over the following two years, according to figures shown to industrialists by the Energy Department.

At a meeting of industrialists, attended by a 10 Downing Street official, Pilkington, the glass manufacturer, is said to have complained that the new prices would have a serious effect on the viability of an electric melting furnace which it is about to commission at St Helens.

The rises will occur as a result of the removal of price concessions currently enjoyed by large energy intensive industrial sites.

Details of the increases will be given on Monday by Mr John Wakeham, Energy Secretary, when he discloses the latest stage of his efforts to ensure that the electricity industry meets its privatisation Vesting Day of March 31.

Although smaller industrial and commercial businesses will have annual increases less than inflation, industries such as chemicals, glass and steel, whose electricity bills are already among the highest in the European Community, fear that when the freeze ends they will be much worse off.

As well as publishing the licences for the new electricity companies in England and Wales and the commercial contracts between generators and distributors, Mr Wakeham is expected to indicate the size of the levy on electricity prices to subsidise nuclear power which remains in the public sector.

He intends to argue that privatisation will cause no drastic increase in prices for domestic and business consumers for up to eight years.

He will also seek to placate heavy industrial users which receive price concessions in exchange for taking their power during off-peak hours. They say that as a result of losing this concession they will face increases which may force them to close marginal works or move them overseas.

Large customers will also no longer be exempt from transmission and capacity charges and will have to pay the 10 per cent nuclear levy. They are particularly worried about the size of transmission charges.

A leading chemical manufacturer said last night the 12 month freeze was far too short a period for industry to make alternative arrangements.

Sock Shop loses £4m in first half

By Maggie Urry

MS Sophie Mirman, chairman of Sock Shop International, was putting on a brave face yesterday after revealing that her hosiery retailing business lost £4m in the first half of its financial year. "This is the end of the bad news from Sock Shop," she said.

She countered rumours about the group's future saying: "We have no intention of selling the company or our shares."

Even so, the group has to overcome a number of hurdles. There is a refinancing package to be arranged and agreed by shareholders. The sale of a majority stake in the company's US business must also be finalised. Losses for the year to the end February, predicted to be "material," must also be declared.

Ms Mirman said the hot weather last summer – the warmest since records began in 1659 – meant women went bare-legged and sales of socks and tights fell sharply.

Transport strikes affected the group's shops in stations which lost trade, and the rise in interest rates meant increased payments on the company's high level of borrowings.

It is a long way from the group's flotation in 1987 which was 53 times subscribed. The shares, launched at 125p amid a wave of enthusiasm for "niche" retailers, reached an all time peak of 325p in August 1988. They closed yesterday at 48p, down 8p, valuing the group at £10.6m.

The company was established by Ms Mirman and her husband, Mr Richard Ross, in 1983 with the help of a £45,000 loan from Barclays Bank backed by the government loan guarantee scheme. The two are now joint managing directors.

The company operates from 125 stores in the UK and Europe. The 17 shops in the US have been closed. Analysts say the group's expansion was more rapid and more expensive than it could cope with and its move into the US, in December 1987, was ill-judged. As a result the group has debts standing at £16m and must write-off £4.8m covering the US business.

The refinancing package is expected to involve institutional investors, and possibly a retail group, buying new shares in the company. Analysts estimate a cash injection of as much as £10m might be needed to get the balance sheet back into shape. That might mean the 80 per cent stake that Ms Mirman and Mr Ross hold in the company being reduced below 50 per cent.

Sock Shop blames weather and strikes, Page 8

Sophie Mirman: bare legs took the profit out of business

RHM prepares for £180m sale of Cerebos Pacific to Suntory

By Ian Rodger in Tokyo and Nikki Tait in London

RANKS Hovis McDougall, the UK bakeries and food group, is negotiating with Suntory of Japan to sell its 70 per cent shareholding in Cerebos Pacific, the Singapore-based food group which makes Cerola salt and Brand's Essence of Chicken.

If the deal goes ahead, this could suggest a significant shift in RHM's geographical expansion policy. For Suntory, it would represent the group's first venture into Asia, outside Japan.

A statement released to the Singapore stock exchange, where Cerebos is listed, said the negotiations were at "an advanced stage" and were expected to lead to an offer by Suntory for all the shares of Cerebos at a price of S$8.25 per share. This would value the company at S$825m (£260m) and RHM's stake at around £180m.

RHM formed Cerebos Pacific as a holding company for various Far Eastern interests in 1981, and floated off a minority stake a couple of years later.

The UK company, with products ranging from Mr Kipling cakes to Robertson's jams, was reluctant to comment further on the deal yesterday. However, RHM indicated a few months ago that it was looking to expand into Europe – although it played down any suggestion that any significant transaction was imminent – and a Cerebos Pacific disposal seems further evidence of a shift in geographical ambition.

Cerebos Pacific made a profit before tax of S$63.1m in the year to end-July, and S$40.7m after tax.

The deal will not require the approval of RHM's shareholders, the largest of which is Sir James Goldsmith's Sunningdale consortium. Sunningdale, which owns 29.9 per cent of RHM, said yesterday that it was awaiting details of the transaction.

Suntory, the drinks group best known for its whiskies and beers in the Japanese market, has been expanding its presence overseas in recent years through various acquisitions and arrangements with other countries.

In 1980, it acquired Pepcom Industries, a bottling franchise for PepsiCo in the US, and subsequently bought vineyards in France in Bordeaux and California and a number of mineral water companies in the US.

In the autumn of 1988, it agreed to pay Y20bn (£80m) for a 2.5 per cent stake in Allied Lyons, the UK food and drink group, making it Allied's third biggest shareholder. Allied in turn paid Y6bn for a 1 per cent stake in Suntory, becoming the company's first outside shareholder ever. A joint venture was established to sell Allied's spirits brands, led by Ballantine scotch, in Japan and Suntory products in other countries.

A Suntory spokesman said the move was part of the group's strategy to raise its overseas revenues to Y1,000bn a year by the year 2001. Its overseas sales are now Y50bn a year. He said Cerebos's strong presence in south Asia and Australasian markets, would be used to distribute Suntory products, and the two groups would exchange technology.

Lloyd's syndicate may sue over loss

By Patrick Cockburn

ALMOST 500 members of Lloyd's of London, the insurance market, are considering legal action for negligence over $250m (£147.6m) losses to their syndicate caused by substantial asbestos and pollution claims in the US.

The move confirms the trend for members of Lloyd's syndicates, facing heavy cash calls and with unlimited liability under Lloyd's rules, to sue the members' agents who introduced them to the managing agents who ran the syndicate when the losses were incurred.

At a meeting this week, people who were members of Pulbrook non-marine Syndicate 90 in 1982, managed today by Merrett Holdings, asked a firm of solicitors to see if they had a case that the losses had been suffered as a result of negligence.

The move follows the decision last December by 814 members of Syndicate 317/661, managed by RHM Outhwaite, the troubled Lloyd's underwriter, to start the largest legal action in the history of Lloyd's, against 81 members' agents who introduced them to the Outhwaite syndicate for the year 1982 and which has since had losses of £304m.

The members of Pulbrook 90, whose managing agency was sold to Merrett Holdings in 1985, have already had to pay £52,500 for each £50,000-worth of business being conducted on their behalf by the syndicate in 1982, the accounts for which have never been closed.

Mr Patrick Brown, co-ordinator of this week's meeting, said that the 478 members of the syndicate faced a further cash call in May which, for a member with a £50,000 commitment, meant paying up a further £67,000.

He said some syndicate members would have a real difficulty in meeting their commitments.

A large source of complaint among members of Syndicate 90 is that, in 1982, their principal members' agent did not sufficiently diversify the commitments of its members into different syndicates, as is traditional at Lloyd's, thereby limiting the potential risk to individuals who had put up their money to provide the syndicate's capacity. Mr Brown says that as a result of the size of these commitments some individual members of the syndicate face losses of £200,000.

The present cash call came after Pulbrook 90 agreed last November to tear up a reinsurance contract reached with RHM Outhwaite in 1982 in return for a payment of $60m over the next five years.

Mr David Robson, the director of Merrett responsible for Pulbrook 90, said yesterday that Outhwaite might make further payments, bringing the total to more than $100m depending on the level of the claims.

According to D J Freeman, the City solicitors instructed by members of Pulbrook 90, counsel will be retained to look in particular at whether members were told enough in 1982 about the kind of risks the syndicate was insuring and also the circumstances under which the reinsurance contract was agreed with Outhwaite.

THE LEX COLUMN

Tricky times at home and abroad

With an air of calm rather at odds with the upheavals elsewhere in the world, the FT-SE seems to have settled at the 2,300 level. In one respect, this is logical. Whatever the tremors coming out of Germany, the mode of transmission to the UK is the exchange rate: and so far, sterling has held its own. Perhaps the markets trust the Bundesbank to stem the inflationary tide. Or perhaps they reason that if the Bundesbank gives way to political expediency and gives currency union its head, the D-Mark will have lost its respectability as a one-way bet.

Either way, the international context will remain an unsettling influence for a while yet. From next week, the domestic context may not be very soothing either. The average earnings figures for December are likely to show no slowdown, in spite of the reduction in overtime. Unemployment is likely to show a fall.

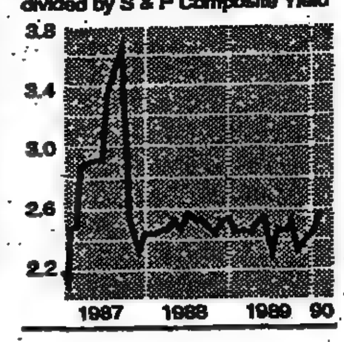
And above all, the PSDR figure on Friday may confirm growing suspicions that this year's official forecast of £12.5bn may be nearly twice as high as the reality. The market may have abandoned hopes of continued buy-backs of gilts; it is not quite ready for the risk of resumed new issues.

By the following week, the results season will be in full swing. There is no rational reason why this should upset the market, since expectations are pretty low already. But it is a racing certainty that there will be nasty surprises as well as nice ones. With the market in jumpy mood already, the former may have more influence. The 2,300 floor may well hold; but it could be hard work getting off it.

FT Index fell 14.6 to 1,830.7

US Yield Ratio

US Long bonds Redemption Yield divided by S & P Composite Yield



Sock Shop

Living proof of the saying that niches can become tombs was provided by Sock Shop's interim results yesterday. Small outlets selling hosiery to passing railway commuters seemed to be a great idea for a while; but when the weather is too hot and the stations are closed, the concept loses its lustre. Sock Shop is now having to dilute its formula by offering T-shirts and swimwear in order to reduce its vulnerability to warmer weather.

The twin British retailing follies of over-expansion and a desire to conquer the US merely accentuated the effect of the consumer downturn on Sock Shop's fundamentally weak position. The parlous state of the group's finances is such that it would take a two-for-one rights at 36p, not a large discount to yesterday's 48p close, to wipe out the current level of borrowings. The US write-off, equal to almost half the company's market capitalisation, means that the group will have a negative net worth by the end of the financial year.

Although the company is still making a profit at the operating level, the institutions which are apparently negotiating to refinance it seem to be taking a gamble. Expansion in the UK is over, the US disaster will be converted into a small minority stake and growth in Europe will take time and money. In contrast to the flotation, investors will hardly be rushing to fill their boots.

Quoted UK

Apart from the wretched performance at the Lombard Street division, thanks to £6bn of debt write-offs, 1989 was hardly a year to be ashamed of at Quoted UK, the conglomerate which speaks to the world through Hoare Govett. Even the hard-pressed construction business squeezed by with less than a 2 per cent fall in pre-tax profits.

Overall, the industrial subsidiaries delivered earnings growth of 8 per cent; they can expect another 9 per cent in 1990. Only three businesses – building, insurance and steel – can expect falling profits in 1990, and one of them can blame it partly on the weather.

Yet like most annual reports, Quoted's is long on self-congratulation, short on future strategy. True, it is gratifying that the balance sheet is stronger than all the talk about corporate sector deficits suggests. Quoted's end-1989 net gearing of 24.4 per cent is high by recent standards, but could fall back to its 1986 level of 17.6 per cent in 1991 on the basis of rising cash flow and a run-down in bid activity and capital investment.

However, judging by its chairman's statement, Quoted is having trouble deciding what to do next. He does not like Brussels, so he is lukewarm about western Europe; and as for eastern Europe, he thinks it a good idea but too risky. And while he likes Mrs Thatcher, he is not too taken with high interest rates and thinks electricity privatisation could be a political minefield. It all seems to point to some mega-bids for North American companies next year.

Royal Bank

Bankers are different from other sorts of managers, or at least they like to think so. Whereas the Royal Bank of Scotland showed little hesitation in financing a hostile bid for Scottish and Newcastle Breweries in 1988, it is making very sure that it retains its own independence.

It says as much in its mission statement; and its next chairman is likely to be Mr George Younger, who supported the bank's fight for independence in 1981. So it should come as no shock that it is assembling a group of friendly shareholders.

Banco Santander, the biggest shareholder, has already agreed to vote with the Royal Bank board; and yesterday Scottish Equitable replaced the Kuwait Investment Office as the group's second biggest shareholder. No doubt there was a collective sigh of relief in Edinburgh's St Andrew Square. The KIO may be nice folks, but their presence on a share register does not contribute to peace of mind in the boardroom.

There are good business reasons why Scottish Equitable wants to strengthen its ties with its close neighbour. Nevertheless, a £75m investment is a rather expensive way of protecting a business connection, and it does not have to worry what its own shareholders will think.

The Equitable's move is not on a par with Standard Life's protective investment in the Bank of Scotland. But the sharp drop in the Royal Bank's share price yesterday reflects the understandable belief that it is no longer the most attractive takeover target in the UK banking sector. The short-termism of City institutions can be criticised: so can the Royal Bank's desire to remain independent.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
BNP	431	+	6
Ecco	520	+	35
Falls			
BIC	692	–	6
BSN	713	–	13
Poliet	501	–	12
Valeo	690	–	22

NEW YORK ($)			
Rises			
Chrysler	18¼	+	⅜
Gt Nthn Nekoosa	60½	+	1¾
Philip Morris	38½	+	⅛
Falls			
Am T & T	40	–	¼
Chase Manhattan	28⅛	–	⅝
IBM	102½	–	¼

New York prices at 12.30.

PARIS (FFrs)			
Falls			
BMW	620	–	14
Hapag Lloyd	442	–	8
Horten	325	–	4
MAN	467	–	16
Siemens	772.5	–	19.6
Viag	385.5	–	12.7

TOKYO (Yen)			
Rises			
Jidosha Buhin	1090	+	102
Origin Elec	1610	+	170
Teikoku Sen-i	2210	+	220
Tofuku Flour	1240	+	140
Tosco	1100	+	101
Falls			
Nihon Kentetsu	3120	–	260

LONDON (Pence)			
Rises			
Coloroll	24	+	3
London Intl	216	+	2
Racal Telecom	378	+	10
Std Chartered	600	+	12
Falls			
Argyll	207	–	4
Bass	970	–	30
Glaxo	701	–	5
ICI	1084	–	7
McCarthy & Stne	94	–	8
Rank	785	–	4
Royal Bk Scot	198½	–	10½
Sainsbury (J)	259	–	5
SmithKline	542	–	2
TVS	131	–	15
Traf Hse	336	–	8
Unilever	654	–	9

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	17	63	Dallas †	C	16	61	Madeira	S	18	64	Prague	C	5	41
Algiers	F	17	63	Dublin	F	10	50	Madrid	C	10	50	Reykjavik	Sn	-1	30
Amsterdam	S	10	50	Dubrovnik	F	13	55	Majorca	F	17	63	Rhodes	S	15	59
Athens	S	12	54	Edinburgh	F	8	46	Malaga	S	[illegible]	[illegible]	Rio de Janeiro		–	–
Bahrain	S	20	68	Faro	S	18	64	Malta	F	15	59	Rome	C	8	46
Barcelona	C	12	54	Florence	S	12	54	Manchester	C	9	48	Salzburg	C	7	45
Belfast	F	8	46	Frankfurt	F	7	45	Melbourne	C	20	68	S'Francisco †	S	8	46
Belgrade	C	11	52	Geneva	S	9	48	Mexico City		–	–	Santiago		–	–
Berlin	C	7	45	Gibraltar	S	17	63	Miami †	S	21	70	Seoul	S	7	45
Biarritz	S	15	59	Glasgow	C	8	46	Milan	S	7	45	Singapore	F	29	84
Birmingham	C	9	48	Guernsey	S	[illegible]	[illegible]	Montreal		–	–	Stockholm	S	3	37
Blackpool	R	8	46	Helsinki	S	2	36	Moscow	C	5	41	Strasbourg	F	8	46
Bombay	F	32	90	Hong Kong	C	17	63	Munich	F	7	45	Sydney	F	24	75
Bordeaux	S	12	54	Innsbruck	F	4	39	Nairobi	F	24	75	Tangier	S	18	64
Boulogne	F	10	50	Inverness	R	6	43	Naples	C	13	55	Tel Aviv	C	11	52
Bristol	F	10	50	Isle of Man	F	[illegible]	[illegible]	[illegible]		–	–	Tenerife	S	21	70
Brussels	S	9	48	Istanbul	C	6	43	Newcastle	F	10	50	Tokyo	F	7	45
Buenos Aires		–	–	Jersey	F	10	50	New Delhi	F	24	75	Toronto †	R	8	46
Budapest	F	9	48	Johannesburg	F	22	72	New York †	S	6	43	Tunis	C	17	63
Cairo	F	15	59	Las Palmas	S	21	70	Nice	S	16	61	Valencia	S	19	66
Cape Town	S	22	72	Leeds	C	[illegible]	[illegible]	[illegible]	S	16	61	Venice	F	7	45
Cardiff	C	11	52	Lisbon	Fg	12	54	Oporto	C	15	59	Vienna	C	8	46
Chicago †	C	3	37	Locarno	S	[illegible]	[illegible]	Oslo	S	7	45	Warsaw	C	6	43
Cologne	C	8	46	London	C	11	52	Paris	S	10	50	Washington †	S	9	48
Copenhagen	C	7	45	Los Angeles †	[illegible]	9	48	Peking	C	1	34	Wellington	F	23	73
Corfu	F	13	55	Luxembourg	C	4	39	Perth	R	28	82	Zurich	S	7	45

C–Cloudy. Dr–Drizzle F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Poll tax

Continued from Page 1

this week, however, indicate that the favoured option would link directly the property tax set by local authorities with an individual's income as assessed by the Inland Revenue.

Unlike under the old rating system, the tax would be levied on individuals rather than on households, which Labour hopes would deflect criticism that property taxes tended to penalise those, particularly the elderly, who lived alone.

Mr Gould, whose statement was agreed after lengthy discussion with other members of the Shadow Cabinet, said that Labour was now in a position to promise voters in this May's local elections that it would "sweep away all the injustice and unfairness of the Poll Tax." He also pledged that his preferred scheme would not undermine the present confidentiality of income tax records.

Concern within the Labour leadership, however, that its final plan should be immune from attack by the Conservatives was reflected in the fact that it decided to defer final publication of details until the autumn.

Government ministers made clear last night that they would continue to seek to deflect Labour's attacks on the poll tax with constant demands that the Opposition spell out in detail the cost for individuals of its alternative.

Soviets

Continued from Page 1

On arms control, Mr Baker and Mr Shevardnadze held more than nine hours of talks on Thursday in an atmosphere which both sides described as positive.

Mr Evzen Vacek, Czechoslovak Deputy Foreign Minister, also announced yesterday that Moscow would begin pulling troops out of Czechoslovakia within days.

The bulk of the Red Army soldiers will leave by the end of May.

The arrangement appeared to be a compromise between the Soviet Union and the Czechoslovaks during three days of talks in Moscow.

Czechoslovakia's new coalition Government has demanded the complete withdrawal of the Soviet troops this year in a clear signal that the Kremlin's east European allies will now take a different tone with Moscow.

Mr Vacek, speaking on Czechoslovak television after the talks, said the only point left undecided in three days of talks in Moscow was when the last Soviet soldier would leave the country.

The Red Army invaded in 1968 to crush the Communist-led reforms of the "Prague Spring."

City trial

Continued from Page 1

Leading for Mr Ronson is Mr Michael Sherrard, QC, a council member of Justice, the British section of the international committee of jurists, who has an extensive international practice.

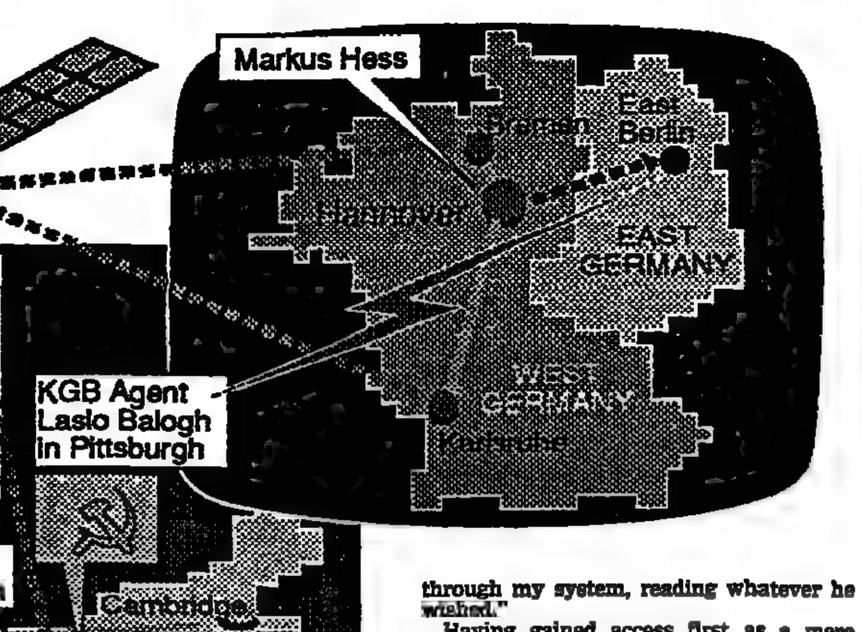
Mr Colin Nicholls, QC, appears for Mr Parnes, and is a leading extradition law specialist.

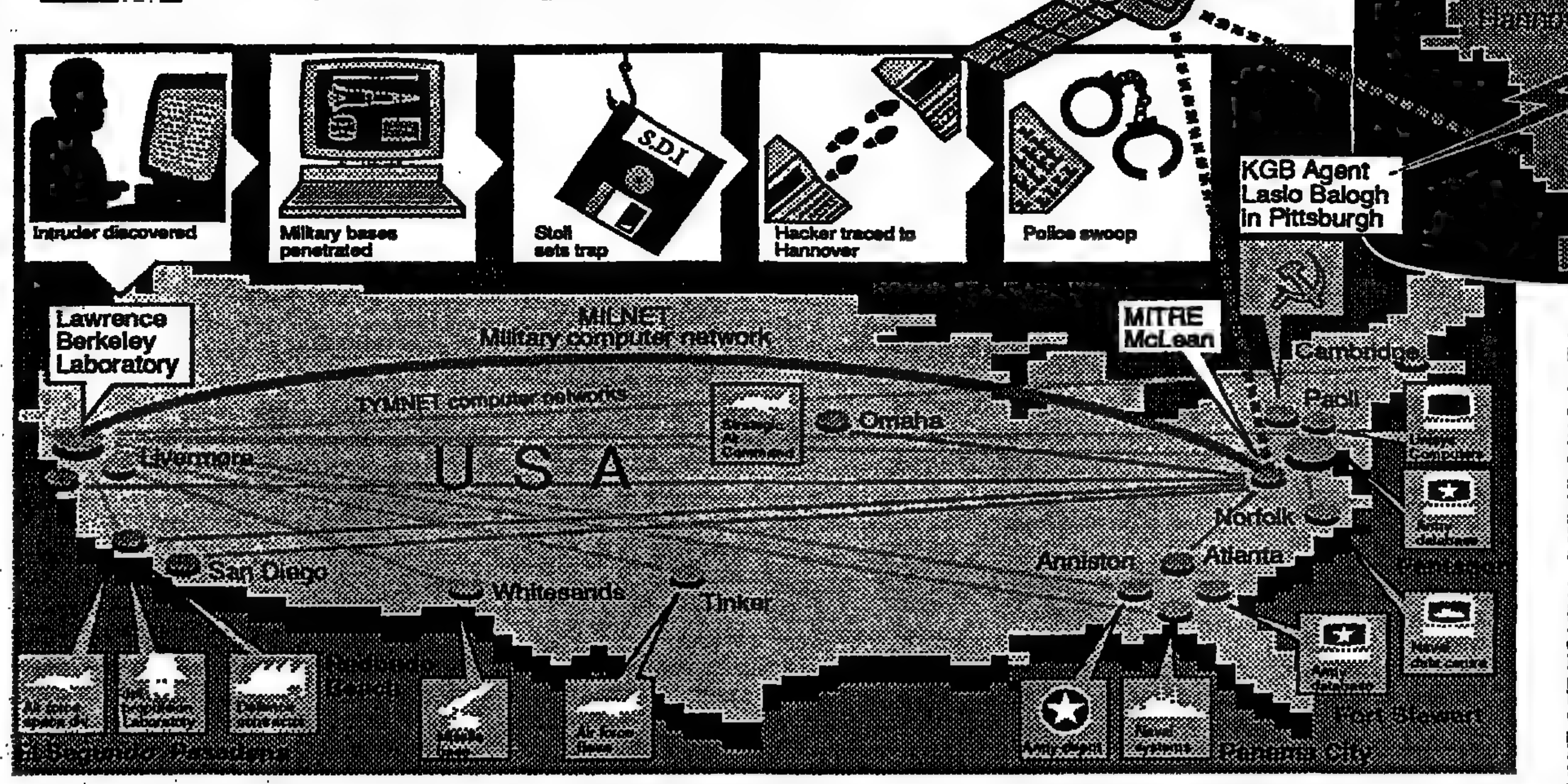
Sir Jack Lyons' QC is Mr Robert Harman, whose legal duties include sitting as a judge of the Courts of Appeal of Jersey and Guernsey – where one of his fellow judges is Mr John Chadwick, QC, who leads for the prosecution in the Guinness case. The prosecution team includes two more QCs and one junior counsel, backed by lawyers and detectives from the Serious Fraud Office.

Weekend FT

SECTION II — Weekend February 10/February 11, 1990

*This is the West German hacker who took supreme command of a US Air Force computer. **Max Wilkinson** unravels a web of intrigue, bluff and painstaking detection*





Password to the Pentagon

THE FIRST sign of the intruder was a 75 cent discrepancy in one of the accounts at the Lawrence Berkeley Laboratory's computer in California. From this tiny clue, a year-long chase led through military installations the length and breadth of the US: and it ended this week in a West German courtroom where Markus Hess, a computer hacker with truly Teutonic stamina, faces charges of spying for the Russians.

The Sherlock Holmes of this extraordinary tale is Clifford Stoll, a designer of telescope optics at Berkeley who took a job in the computer department when his astronomy grant ran out. After discovering that Hess had gained entry to his computer, Stoll investigated and deduced that his unseen adversary was a nervous, methodical loner, speaking German, roughly 6,000 miles away, with a desire for military secrets and almost certainly smoking Benson and Hedges. But why? where? and above all, who? These questions catapulted Stoll into the shadowy world of the CIA, the FBI, and a host of other three-letter entities.

But the US spooks and the security agencies would not have unravelled the mystery on their own. After giving evidence for two and a half days at the trial in Celle, near Hanover, last week, Stoll said: "The people who helped me track him down would spend a day or an afternoon on it and then give up. But Hess and I were well matched in persistence, yes, and also in skill. He is probably a better programmer than I am. The reason it took a year was that the KGB was as slow to give him feedback as the federal agencies were to give me support."

As well as persistence, Stoll has a compulsive energy which seems to keep his mind and body in perpetual motion, like the yo-yo he often plays with. He perches cross-legged on an office chair, bounds up to draw a flow chart, or idly powers up a portable computer, while expounding his tale.

Its importance is to show that the movie *War Games* was, for all its Hollywood hype, uncannily close to the truth: a high school kid undoubtedly *could* break into one of the Pentagon's defence computers. For Stoll, sleeping in a tangle of wires under a laboratory bench at Berkeley one weekend, was awakened by his bleeper to watch it happening.

Maybe a savvy sophomore could not actually start World War Three from his bedroom, as *War Games* suggested; yet Markus Hess, crouched over his Apple Mackintosh in a Hanover flat, used Berkeley as a staging post to infiltrate the Air Force Systems Command Space Division's computer in Los Angeles. In less time than it takes to read this paragraph, he had promoted himself from hacker to Colonel and persuaded the machine that as "Colonel Abrens," he should be given full command of its operating system, with the right to copy and change passwords, to alter any programme, or indeed to wipe out the whole of Space Division's data if he wished. Were it not for that 75 cent error – and his persistence – Stoll thinks "Col Abrens" might even now be a ghostly supervisor of the Air Force computer, with unlimited access to its most privileged files.

However, it was the delightful Martha, a flatmate more long-suffering even than Dr Watson, who set the decisive trap. Her idea, conceived first as a joke while she was soaping Cliff's back in the shower, turned into a grim last laugh against Hess and his KGB paymasters.

Martha, now Mrs Stoll, suggested that they should copy the computer files of old Department of Energy directives, change the headings to make them look like part of the the latest US Strategic Defense Initiative missile defence project ("Star Wars"), and use them to hook the hacker. She rightly guessed that the jargon was so impenetrable that the KGB wouldn't know the difference. Then she baited the trap with a standard letter in the computer files inviting academics to write to Barbara Sherwin (fictional secretary to the non-existent "SDINET" project) for more detailed information. Hess hacked into these dummy files and passed the information on to the Soviets, who swallowed the hook. They asked a Bulgarian agent in Pittsburg – one Laslo Balogh – to send his name and address to "Barbara Sherwin" (really an astronomer living three doors from Stoll) with a request for the papers.

At last, after long prevarication, the "F-entity" (spook-speak for the FBI) was convinced that Stoll was on to something big. Meanwhile, Hess made his fatal mistake. He became so fascinated by Martha's dud Star Wars data and a few puzzles that Stoll left lying around for him, that he stayed on the telephone line long enough for the authorities to trace his call back through a network of computers to that lonely apartment in Hanover.

One of the most interesting revelations is the ease with which Hess and a group of other West German hackers penetrated a network of perhaps 100,000 advanced systems. They used ordinary personal computers connected by phone lines to their first target installation – in Hess's case at the university of Bremen. From this "first base" he could use the specialised telecommunications networks – Datex in Germany and Telenet in the US – which link up most big computers in the Western world. Once Hess had made his connection into the US, he had little difficulty in plugging into the Milnet, which links military computers throughout the states – and he even found a way to make a defence contractor pay for his long-distance calls.

Stoll: detective in a world of shadows

Once the hacker has obtained the telephone number for a target computer, perhaps from a contact or an academic directory, all he has to do is to plug into the telephone socket and tap out the number.

I tried this the day before yesterday, dialling the same number (415-430 2903) which Hess used to break into Berkeley. Within a few seconds the system replied: "Please log in:" Hess got straight through by typing *Guest*, an account name reserved for visiting academics, with an obvious password: *Guest*, again. Not surprisingly, this doesn't work any more. However, my second try, *Visitor*, was accepted as a valid user's name. After three bad guesses at the password, I was (fortunately, perhaps) booted off the line.

Hess was more persistent. He tried hundreds of computer installations, repeatedly testing Username/Password combinations like *System/Manager*, *Field/Service* and *Visitor/Guest* until he struck lucky. One of his more astonishing successes was to get straight into the Optimis Army Database in the Pentagon with Username: *Anonymous* and Password: *Guest*. He promptly called up and copied 29 documents on nuclear warfare, including titles such as "Army Nuclear, Chemical and Biological Defense Plan." No-one noticed except Stoll, who monitored the traffic from California and alerted the CIA.

* * *

When Stoll first got onto Hess's tail, the hacker had been at it for at least six months, connecting via Bremen to an impressive network of computers in the US. On his second day in his new job at Berkeley, Stoll was asked to fix what was thought to be a minor error in the accounts programme. He discovered that someone called "Hunter" had used 75 cents worth of computer time which had not been paid for.

Nobody had heard of Hunter.

Soon afterwards Joe Sventek logged on, creating another discrepancy in the accounts. Everybody knew Joe – a bone fide Berkeley computer expert – but he was away in Cambridge, England.

Stoll suspected a hacker had stolen Sventek's account but he couldn't prove it. So he spent the next Friday night lugging 50 terminals and printers from scientists' desks and plugging each into one of 50 incoming telecommunications lines. He settled down to sleep in a menagerie of chattering machines, waking up occasionally to feed them more paper.

The next morning he says: "Bleary-eyed, I dragged each printer back to its rightful owner. The first 49 showed nothing interesting. From the 50th trailed 80 ft of printout. For three hours a hacker had strolled through my system, reading whatever he wished."

Having gained access first as a mere "guest," with limited privileges, Hess had exploited a bug in one of the Berkeley programmes to become a "super user" with complete mastery over the system. The hundreds of ordinary users are given strictly limited opportunities to snoop on the activities of their colleagues. But a super user or manager must be all-seeing, because he or she is the one who has to fix any problems.

Hess, like everyone else, knew that the Berkeley scientists' text processing programme (with the unlovely name of Gnu-Emacs) could *send* chunks of computer code from one file to another. But only Hess knew that the Gnu-Emacs programme didn't check where the code was being sent. So while he was logged on as *Guest*, Hess wrote a clever little programme instructing the machine to giving him super user status. He was able to transfer this by Gnu-Emacs to the computer's operating system, roughly the equivalent of an implant in its central nervous system. The computer blindly executed the instruction, and *voila!* Hess was made its God.

He used this omniscience to discover that Joe Sventek was on leave and promptly hijacked his computer account. He also created a new account for himself under the assumed name of Hunter (the password, *jaeger*, gave Stoll a first clue to his German origin). He also slipped in a "Trojan Horse" programme which would silently monitor the names and passwords of every user as he or she logged on after the weekend. By prowling around the files Hess uncovered the telephone numbers of many other large computers which the Berkeley machine routinely called, and even passwords to other systems which scientists had carelessly left in their message files.

With this secure base, as a phantom super user of Berkeley, Hess was ready to make a determined attack on his real prey, US military systems. Alas for him, Stoll had set up an invisible monitor; everything Hess typed was recorded on hundreds of pages of print-out. These and Stoll's log-book are the critical evidence at Hess's trial, which is still in progress. In the absence of such records, Hess might still have been identified and stopped, but criminal charges would have been almost impossible to sustain.

Although Stoll was now collecting a detailed record of attempts to infiltrate the military establishment he was scarcely any closer to solving the riddle of where

■ Continued on Page XIX

The Long View

Making sense of the index game

STOCK MARKET indices were designed as mood indicators and as measurement yardsticks. But is there a risk that, instead of just describing movements, they will actually *become* the market?

These are tricky times for index funds, those computer-driven vehicles which seek to take a short cut to superior investment performance on the basis that most conventional, or active, fund managers fail to achieve their basic objective of beating the market averages. True, the Morgan Grenfell UK Index Tracker unit trust came 11th in performance out of 98 general UK funds in 1989. But spare a sympathetic thought for investors in the James Capel Japan Index unit trust, which trailed in 57th out of 66 specialist Japanese funds.

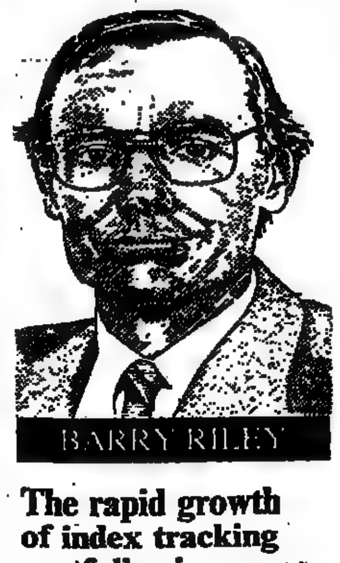
Index funds are possibly nearing their peak of popularity on both sides of the Atlantic. US pension funds have now devoted some $170bn to index tracking portfolios, mostly matched to the Standard & Poor's 500 index. This represents nearly a fifth of their domestic equity holdings.

In Britain the data is confusing, but the latest survey from the National Association of Pension Funds shows a jump in a year from 7 to 13 per cent in the proportion of schemes which use index or "core" strategies. The trend is particularly evident in overseas equity portfolios, where there has been a sharp increase in indexing by both UK and US pension funds. The Japanese are active, too.

In fact, index funds have become almost conventional, which is a remarkable change inside only a few years. Britain's oldest index fund is thought to be the Motor Agents' Association National Motor Industry Pension Plan "B," which was set up in 1977 on the advice of Dryden Gilling-Smith, a consultant and one-time regular *FT* contributor. He had the idea that a fund matched to the Government Actuary's formula at the time for buying back rights in the State Earnings-Related Pension Scheme (two-thirds the FT-Actuaries All-Share index plus one-third long-dated gilts) would secure the employers' liabilities. But no investment manager could be found to operate such a strategy.

In the end, the fund was structured by John Chiene, a well-known stockbroker, and Lloyds Bank agreed to administer the formula. Interestingly, in the 10 years from 1979-88 performance was better than for 80 per cent of other UK pension funds, although Plan "B" held no overseas equities and included a relatively high proportion of gilts.

But risk reduction, rather than good performance, was the original objective. Since then, the increasing sophistication of performance measurement techniques has highlighted the great difficulty experienced by most fund managers in beating broad indices like the S&P or the All-Share.



BARRY RILEY

The rapid growth of index tracking portfolios increases the risk that the stock market prices of index constituents will be driven too high

Over the years, the investment professionals have often proved especially bad at making international portfolios perform well. In 1988, for instance, a year in which the FT-Actuaries World ex-UK index returned 30.6 per cent, the median overseas equity return for UK pension funds was only 21 per cent. Remember that, in the field of professional fund management, it is not the absolute gains but the relative performance that matters.

But 1989 turned out to be a different ball game. Even in the UK, active managers seem to have done well last year, perhaps because they had more of the big company stocks which performed so well. Preliminary figures gathered by the WM Company, the measurement specialist, suggest that active managers almost matched the 36.1 per cent return on the All-Share, while index managers may have trailed behind by 0.25 per cent.

Japan proved to be an indexer's graveyard, though. Assuming they tracked the index successfully, index funds will have returned 3.5 per cent in dollar terms. But active managers appear to have achieved more like 9.5 per cent, leaving the funds some 6 percentage points adrift.

The problem in Japan is that the stock market is not truly efficient, which makes it possible for managers of active funds to out-perform, at least from time to time. Index managers are on safer ground in efficient markets like those of the US and the UK, but only so long as they are modest in size. Once they get big, they will start driving the market in new directions.

There is evidence, for instance, that the increasing importance of S&P 500 index funds is driving up the relative value of the 500 stocks. Over past decades, small capitalisation stocks have consistently out-performed in the US but since 1983 they have, mysteriously, started to lag. The same effect became evident in the UK last year.

There may be other explanations, but the increasing use of national index funds by international investors to switch instantly into cash or from one country to another means that two-tier markets are liable to develop, consisting of the big stocks which are in the major indices and the small stocks which are not.

Active managers are not complaining. One of the newer games in London is to trade the stocks which move in and out of the Footsie 100-Share index each quarter on the basis of a simple and predictable capitalisation formula.

The idea is that each new constituent must be bought by index fund managers, without regard to the price, and vice-versa the index rejects, although the game is not as profitable as it might be because comparatively few funds actually track the Footsie.

Left to themselves, index managers would create crazy values. They are not interested in how high the index is, only in how closely they track it. It is up to other investors to set prices, and they ought to make a profit doing it.

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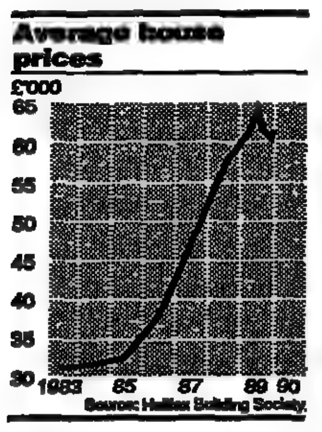
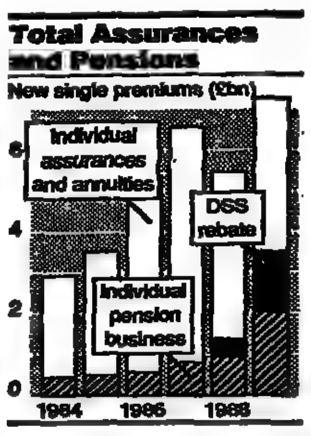
Average house prices



Source: Halifax Building Society.

Total Assurances and Pensions



House prices fall for sixth successive month

House prices fell by 0.6 per cent in January, the sixth month in a row that they have shown a decline, according to the latest figures from the Halifax Building Society. Despite the fall, the annual rate of house price inflation increased slightly, from 2.8 per cent in December to 3.0 per cent in January. House prices in the south of England continued to fall while the rest of the country saw only very small price *increases. Halifax expects house prices to remain weak* during 1990 but adds that as property becomes more affordable, activity in the housing market should pick up and lead to a recovery next year. *Sara Webb*

Personal pensions on the rise

Life companies sold nearly 4.25m million personal pension contracts last year, and more than 3m of these were used to contract out of State Earnings Related Pension Scheme. The companies received £1.04bn in new annual premiums from investors, an increase of 17 per cent on the previous year, and doubled their income from single premium policies to £2.01bn. A further £1.49bn came from the Department of Social Security. This offset a fall of almost 20 per cent in annual premiums from the traditional with-profits business, which was accounted for by the decline in endowment mortgage business.

Linked bond sales amounted to £2.83bn compared with £2.88bn in 1988, and well below the levels reached in 1986 and 1987. However, guaranteed income bond sales soared *from £284m to £888m as investors took advantage of the* high interest rates. *Eric Short*

Amendment call by Prudential

Prudential Holborn is seeking approval from unit holders to amend its trust deeds at a meeting next Wednesday. The *changes are intended to meet the requirements of the* Securities and Investments Board (SIB) and give its unit trust managers more flexibility in investing, for example allowing them to gear, use futures and options, and invest in new markets such as the French OTC market.

Alan Wren, chief executive of Prudential Holborn, adds that an amendment of the trust deeds will not be used as an excuse to raise charges. Prudential already has the power to set a front-end charge of 7 per cent and an annual management charge of 2 per cent, but currently charges 6 per cent and 1.5 per cent respectively. *S W*

SE compensation plan

The Stock Exchange is on the verge of proposing a new compensation fund to replace the one it scrapped 18 months ago, when the Financial Services Act's compensation scheme came into force. The insured fund *would provide cover of a minimum of £250,000 for each* claim — far in excess of the £48,000 maximum pay-out from the FSA scheme. Letters are expected to be sent out next week asking the 400 stockbroking firms in the UK country *whether they wish to join the scheme.* Around half are expected to apply. **Details: Page V Section One.** *Richard Waters*

Win yourself a 'supercat'

Employees who contract out of the State Earnings Related Pension Scheme (SERPS) with a personal pension contract from Black Horse Financial Services could win a restored red E-Type Jaguar Roadster. The competition is open until June to any investor who takes out a pension contract *(including the rebate only personal pension)* from Black Horse Financial Services, the life assurance subsidiary of Lloyds Bank. *E S*

LONDON

Footsie falls foul of empires eclipsed

MARKET-WATCHERS and moon-watchers are divided as to the significance of lunar eclipses. Once,blood-red moons were associated with all manner of doom, *apparently signifying* the downfall of empires and emperors. More recently, blood-red trading screens have fulfilled a similar prophetic function. Yesterday, a few lucky individuals were in a position — looking east from the windows of City dealing rooms — to observe both forms of lunacy.

Prophecies based on *movements* of the moon and the markets have something else in common: they tend to be open to any interpretation. Certainly this week has seen its share of teetering empires, *small* and large.

Godfrey Bradman is among those who would dispute that Rosehaugh, the property development company, is on the brink of downfall, although there were many who felt the £125m deeply-discounted rights issue he announced on Monday looked like a distress call.

As an empire, Rosehaugh is impressive, even if the modest *and philanthropic* Bradman has few of the usual traits of an emperor.

In the last 18 months, property stocks have dipped towards their lowest point against the FT-Actuaries All-Share Index since 1970. Rosehaugh has not been immune; but against the property index its shares are still roughly four *times higher than in* 1985. The group's developments include the Broadgate office complex in the City of London and the plans for the King's Cross area, as well as less grandiose residential housing schemes.

Monday's announcement was bound to attract attention, if only because Bradman has built up a fine reputation within the property sector, where he has been billed, incidentally, as Margaret Thatcher's favourite property developer.

The man himself played the statement down as part of a longer-term strategy. The rights issue, he stressed, was not an attempt to make up for a lack of cash across the breadth of the group, which carries out much of its work through a wide network of associate companies and joint ventures. There was no cash flow problem, he said. However, given that this is a cash call which will double the *number of* Rosehaugh shares in circulation it was hardly surprising that the stock ended the week 29 per cent lower at 330p, against a rights price of 200p a share.

Indeed, for those prophesying the imminent collapse of the Babel of construction and property companies this was a pretty good week. The Rosehaugh *announcement* coincided with news that JM Jones, one of the UK's largest private construction and property development companies, had called in the receivers, weighed down by debts estimated at some £50m.

A day later another property group, Regalian, revealed a plan to overcome the slack house-buying market by selling £180m of homes — its whole London residential portfolio — at half-price, with the balance paid over five years.

That coincided with the delayed market reaction to *Monday's news as commentators* reached a gloomy consensus about the Rosehaugh issue. Footsie slipped 27.3 points on *the day* — compared with a drop of just under 7 points on Monday — although trading volume, as throughout the week, was very thin.

Having said that, Monday also had more optimistic signs for the property market with a hostile £441m cash offer for Laing Properties, from Peninsular and Oriental Steam Navigation Company — which tends to steer clear of hostile bids — and Chelsfield, a private *property company.* Laing's shares ended the week up nearly £1 at 661p, against an offer of 650p.

Among the smaller empire-builders, Andrew Lloyd Webber has finally decided to end his short City career by making an offer for the outstanding shares in Really Useful Group, the quoted company which owns the copyrights to many of his most recent and most successful musicals. Crowds of angry small shareholders are not exactly thronging West End squares to protest at the bid, which emerged on Wednesday once Lloyd Webber had gained control of more than 50 per cent of the group.

Yesterday came news — hardly unexpected in the current retail climate — of the decline of the House of Mirman. Sock Shop, the niche business founded by Sophie Mirman and her husband Rich*ard Ross, announced a £4m* plunge into the red for the half-year to the end of August 1989. Even stripping out discontinued US activities, there was a loss of £2.88m before tax. Directors confirmed they were negotiating a possible refinancing of the business, which was a huge success with small investors when it came to the Unlisted Securities Market in 1987. The shares slipped 6p to 48p, against the 125p flotation price.

There still seems to be some confusion about whether empires are being built or broken *in eastern Europe. On* several days this week the UK equity market, starved of much domestic economic data, has looked to the stalls of the arcane West German bond market for nourishing informa*tion and come away with bags* full of inflationary news.

German bonds were weakened by West Germany's pledge on Tuesday that it would look for full economic and monetary union with its newly-liberated neighbour before the end of 1992. To some observers the economic domino effects of raising the Iron Curtain could be the raising of West German inflation, and, perhaps of interest rates.

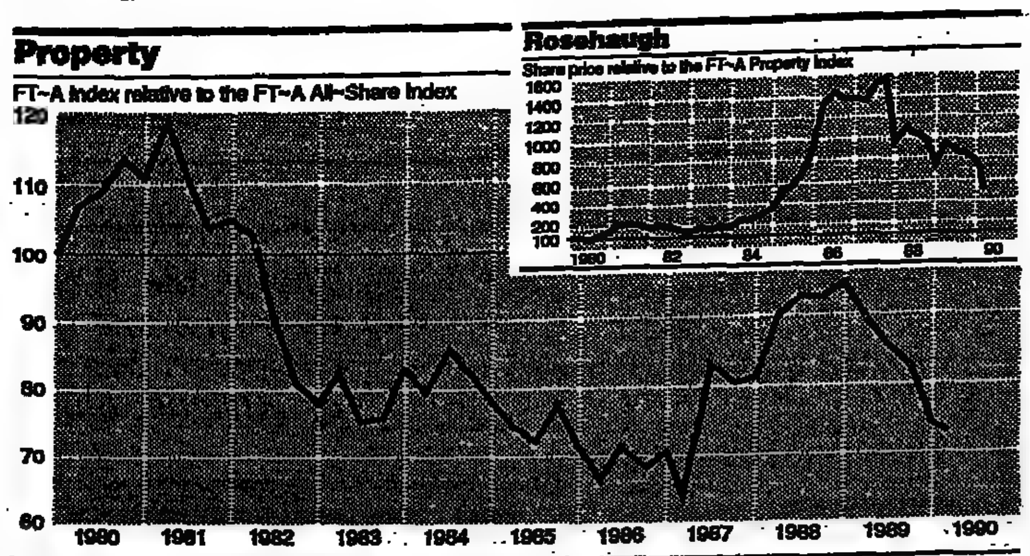
That need not have an impact around the world, and indeed sterling has seemed surprisingly strong against the D-Mark, with the pound almost unchanged on the week at DM2.8339. Added to which, UK *monetary policy seems to* be having some effect, with the news on Monday that consumer credit fellfor the first time in December.

However, equities slipped on Tuesday and on Wednesday. Footsie breached the *2,300* mark for a moment, before bouncing back to rise nearly 24 points the following day, fuelled by confidence on Wall Street and in the UK about the progress of US Treasury auctions. Yesterday, Footsie ended at 2313.6, down 17.4 points on the day, and 41.6 on the week.

Dangerous as it is to think in terms of barriers, 2,300 — give or take 50 points or so — is beginning to look like the trading range for Footsie in the first half of this year, even among those bullish commen*tators hoping* for as much as 2,700 by the end of 1990. True lunatics may prefer to read other runes.

Andrew Hill

Property



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989/90 High	1989/90 Low	
FT-SE 100 Index	2313.6	-41.5	2463.7	1782.8	World bond markets weak.
Amstrad	55	+7	193	36	Press comment/interims Thursday.
BOC	542	+17	586	420	5.5% increase in profits.
Euro Disneyland	1095	+122	1216	865	American buying.
GKN	396	-27	476	291½	Downturn in car manuf. worries.
Hambros	322	+33	328	197	Baltica increases stake to 14%.
Lucas Inds.	597	-29	725	509	Fears of strike threat.
Nu-Swift	496	+25	615	385	Sale of holding in Sioll.
Priest, Marians	178	-80	535	165	Bid hopes fade.
Prudential	212½	-13½	241	152	Storm claims fears/rights issue hints.
Rosehaugh	330	-135	709	305	Surprise £125m rights issue.
Royal Bnk Scotland	198½	-15½	227	139	KIO reduces stake to 2.34%.
Sema Grp.	404	+23	409	258	Schneider increases stake to 7.62%.
Union Discount	610	+25	611	470	Excellent preliminary figures.
Williams Hldgs.	245	+13	285	201	County and Flemings recomms.

WALL STREET

Still built on shaky ground

WITH THE Dow Jones Industrial Average more than a hundred points above its late-January low point, it was hardly surprising that equity prices ran into resistance each time the Dow rose above 2650 this week.

The market's short-term trend remains favourable despite this hesitation; or rather because of it. At this stage, a too rapid jump in prices could all too easily suck in the large numbers of undecided investors who have spent most of January hesitating. Sentiment could shift as easily to unwarranted euphoria as it did last month to excessive gloom. The market could then be set for a collapse of catastrophic proportions, but it may be premature to worry.

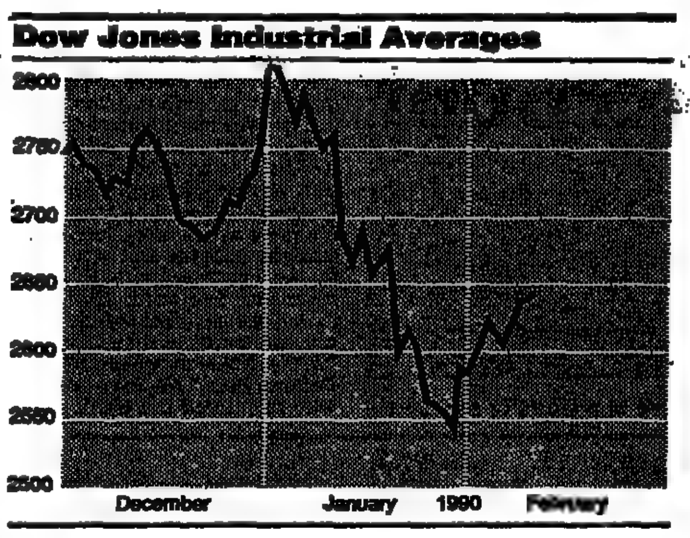
The speculators are still cautious. By last week, measures of investor sentiment in the stock index futures market were indicating levels of pessimism not seen in the aftermath of the 1987 crash.

Long-term investors are equally hesitant and selective. They seem to be less interested in market psychology, chart analysis or even takeovers than in the fundamental outlook for profits, interest rates and economic growth.

Thus, the recovery of the past two weeks has been led by battered and undervalued issues such as computer stocks, particularly IBM, alternating with energy stocks and other inflation hedges. The over-priced consumer growth companies, entertainment stocks and takeover candi*dates which had accounted for* most of last year's gains have generally been left behind.

Thus the Dow Transportation Index, with its heavy representation of airline issues, is still 30 per cent below its peak of last October, while the Dow Industrials are within 6 per cent of their record high. The same is true of entertainment companies like *Disney* and Paramount, which have fallen by 21 and 33 per cent respectively from last year's highs.

Dow Jones Industrial Averages



And even the greatest consumer blue chip of all, Coca-Cola, is struggling to get its stock back up to $70, 15 per cent below the 1989 peak of $81.

Because of all these shifts of focus, Wall Street today appears a saner, and therefore presumably a safer, place than it was on the three previous occasions when the market averages last traded at around their *present* levels: *from* August to September 1987; from July to October 1989; and then again from last December until *early January this* year.

But while the market's relative perceptions of individual equity values seem to be moving in the right direction, the bigger question remains unanswered. Will the performance *of the US and world economies* justify the average valuation of the market as a whole?

According to the Institutional Brokers Estimates System the current level of the Standard & Poors 500 index implies that the average company on Wall Street is priced at 11.5 or 13.1 times its expec*ted 1990 profits, depending on* whether you believe the perennially optimistic analysts who follow individual companies or the more sceptical strategists who look at the market as a whole.

While this range of price-earnings ratios does not suggest a market that is overvalued by historic standards, *it indicates significant vulnerability if earnings should disappoint the analysts this year.*

According to the IBES the current earnings forecasts, and therefore presumably stock market prices, reflect a general assumption that the first three months of 1990 will prove to be the last quarter of profits disappointments for most US companies. According to IBES, year-on-year earnings comparisons are expected to show declines in the first quarter, stabilise in the second quarter and then begin a steady advance from the third quarter onwards.

One reason for expecting such an outcome, as IBES points out, is that the previous declines in US corporate earnings have usually begun to be reversed after one year.

Unfortunately, there are at least two reasons why that experience might not be repeated in the current cycle. Despite the wails on Wall Street lately, the fall in earnings reported for 1989 has been *marginal at most.* With some of the results not yet in, the IBES consensus prediction still shows a marginal 3 per cent advance in 1989 relative to 1988.

More important, any earn*ings improvement in the* second half of this year will clearly depend on a re-acceleration of the economy, which is also widely expected on Wall Street, though it might not last long.

If the economy begins to accelerate again from the middle of the year, the Federal Reserve Board's implausible bluffs about getting inflation down to zero will certainly be called. It remains to be seen *how Washington* resolves the conflict between the Fed's anti-inflationary promises and the Bush Administration's increasingly strident pro-growth rhetoric. Ultimately the issue may be settled not in Washington but in the capital markets of Europe and Japan. Whichever way the recession-inflation trade-off is resolved, a smooth and trouble-free return to profitable corporate prosperity may be too much to hope for.

Monday	2622.53	+	19.83
Tuesday	2606.31	−	16.21
Wednesday	2640.09	+	33.18
Thursday	2644.37	+	4.28

Anatole Kaletsky

JUNIOR MARKETS

The a,b,c,d,e of success

ABILITY, breaks and courage may be the ABC of success in *business but in the wintry* markets of 1990 determination and experience are other essential criteria.

This is one message that can be gleaned from the shortlist of potential USM entrepreneurs of the year — *an annual* award bestowed by the *USM* magazine and Coopers and Lybrand Deloitte. None of the candidates have simply *ridden* the wave of the small business boom of the 1990s; several have experience of running much larger businesses.

One such is Kevin Lomax, who started his career as managing director of a Hanson Trust subsidiary. After several other jobs, including a stint at Caparo and STC Components, he set up Misys in 1979 to supply computer systems for insurance intermediaries. *Since joining the market in* 1987 it has snapped up a clutch of other computer houses — including a fellow USM company, Zygal Dynamics.

Having worked in large companies, Lomax believes he has had an advantage *over* "the guy who started in a garage." For one thing, he recognised the difficulties of juggling the demands of day-to-day management and the City. "There is a walk-on-water syndrome where people think if you can build a wonderful business you can do everything," he argues.

Another entrepreneur with *big business experience* is Tony Craven Walker, the head of Monument Oil and Gas. He built Charter Petroleum into a substantial company before it was taken over by Petrofina in 1985.

After waiting until oil assets had become considerably cheaper he re-entered the fray in 1988, when prices had *dropped considerably. With the* help of some powerful backers he has revamped Monument by injecting some substantial oil and gas interests into the company.

Likewise, it is second time round for Bob Francis of the RKF Group. He left school at 16 and worked as a carpenter before founding R K Francis, a *joinery subcontractor* in 1959, when he was only 20.

When this company, which went public in 1971, was acquired by Tarmac for £17m in 1984, Bob Francis and his colleagues bought out some parts of the business. These businesses, together with some land development groups, were then floated as *RKF* Group in 1987. Since then, it has become something of a mini-conglomerate after branching out in new directions, including magazine printing and theme parks.

Another fundamental change of direction has been orchestrated by Paul Thompson of Sanderson Electronics, which he has described as "a phoenix rising rising from the engineering industry."

The roots of the company go back to Paul Thompson's involvement in the Pick computer system when he was working in finance and administration at a US subsidiary of Aurora, one of Sheffield's steel *giants.*

On his return to the UK in 1983 he joined Bramah Engineering, a private engineering company, where he started Sanderson Electronics as a subsidiary to exploit Pick applications.

In 1987, the directors bought out the business, with the help of 3i. Six months later Sanderson Electronics floated on the USM, where it has continued to grow at a cracking pace.

Tom Harrison of Norfolk House Group also founded his business in 1983. The foundations of this company, which develops and manages roadside service stations, were laid in his early career which was spent *finding* petrol station sites for Burmah Oil.

In the 1970s he formed an estate agency partnership specialising in road related properties, after which he managed a property development and trading joint venture with Kwik-Fit Holdings.

After Bob Francis, David Parker of Sherwood can trace the history of his business back the furthest.

Back in 1968, he left Courtaulds to buy a small lingerie manufacturer that employed 11 people. After starting off slowly and enduring a tough time in *the* early 1980s, the company thrived and was launched the company on the USM in April 1986.

Since then, it says it has expanded from employing 500 people in four factories in 1986 to being the largest lace manufacturer in Europe, employing 2800 people.

Given the rapid growth of these businesses, it is perhaps not surprising that several of them are being elevated to the main market.

However, the general verdict on the USM is a highly favourable one.

Kevin Lomax, for example, values the attention paid to Misys by USM analysts, although it now wants to be on the main market to attract a larger range of institutions and to help make acquisitions in the US.

Norfolk House also feels that it is now large enough to move up to the main market. *But* Tom Harrison is generous in his praise for the USM.

"It helped us to expand, it helped us attract quality management and it gave us credibility among its *customers," he says.* "The USM has done a first class job for us."

Vanessa Houlder

Rosehaugh wakes property sector from its slumber

THE property share market *has* been a cheerless *place* of late. Boring even. Trading has been slack and investors seemed to have turned their back on the sector.

But suddenly this week the tedium lifted. Rosehaugh, one *of the highest-profile development* companies, with a string of projects in London and across Britain, arrived out of the blue with a rights issue. Then, less of a surprise, a long-expected bid for Laing Properties came from Chelsfield, a private company which had been building a stake, and P&O.

There was more enthusiasm for the takeover bid, worth £441m, than the rights issue, one-for-one to raise £125m at a sharply discounted 200p a share. But that is consistent with *the market's recent* behaviour.

Arguably, property shares never fully recovered from the 1987 equity market crash. In terms of the indices, 1988 was a good year when property shares out-performed the rest of the equity market, but even then investors were chary of becoming involved again with the development and trading companies. They preferred the *solid, asset-rich investment* companies which have a regualr stream of rental income. They are classic defensive stocks.

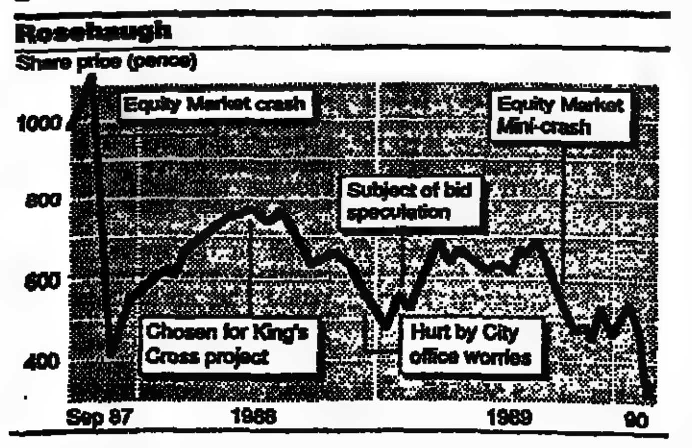
Last year, property shares sagged as the market watched interest rates going up and returns from property coming down. The sector under-performed the rest of the market. The discount of the market price to the net asset value of the comanies stretched to 40 per cent. Now, with property returns sagging beneath the cost of money, investors have been *staying* away in droves.

This is why the Rosehaugh issue caught the market off guard. "This way of securing its short/medium term financial position looks to be the most surprising of the options available," commented County NatWest WoodMac, believing it should have found an equity partner. "How the mighty have fallen!" said Smith New Court.

Rosehaugh's price move*ments have reflected both the* market's worries about with a possible surplus of office property in London and its sniffs of excitement about possible bids. Olympia & York, the Canadian group developing Canary Wharf, was once tipped as a possible bidder. More recently JMB Realty of Chicago, which has accumulated a 4.9 per cent stake, has become the favourite potential predator.

But none of this has put the Rosehaugh share price up anywhere near its £11.75 high of 1987 and before the rights issue it was near its 1989-90 low. So here was a stock which was out of favour seeking capital from a market viewing the property sector with disdain.

Rosehaugh



The raising of capital by property companies has been on a small *scale since* 1987. The market has generally been unfriendly to rights issues and there have been other sources of finance readily available.

Last year, in fact, only £135.4m was raised through rights *issues* by property companies, compared with £447.6m in 1988 and £1.1bn in 1987. *Indeed, the Rosehaugh plan* is the biggest since a Slough Estates issue of convertible bonds to raise £150m in April 1988.

The prospect of it has not done the Rosehaugh share price much good and it has been dipping during the week, making the company, *it is* freely speculated, more vulnerable to takeover.

The market has been expecting more corporate activity as strong companies with a healthy cash position take over weaker brethren stretched by high interest rates and uncertain about their future in the face of slowing demand for space. Analysts have believed that only an outburst of such activity would lead to an *upsurge of* share trading.

Little of this has happened so far. The Chelsfield-P&O bid for Laing is not the rescue of a faltering development company but an attempt to win control of a series of largely overseas interests.

Chelsfield, indeed, had built up a bidding launch pad of nearly 15 per cent of Laing's equity before the offer this week.

Paul Cheeseright

Shares in new companies have special benefits for married couples

A beginner's guide to BES

*In the second in our series on the main areas for pre-Budget action, **Heather Farmbrough** looks at BES: what it is and how to invest*

ONE OF the few remaining tax shelters left for investors these days is a Business Expansion Scheme (BES). And after April 6 – provided the Chancellor *does not change the rules* – the schemes could become even more attractive to married couples, with spouses allowed to claim relief on investments of up to £40,000 *each rather than £40,000* in total.

BES is a highly tax efficient form of investment in companies which many people simply would not touch under normal circumstances – although, to be fair, some shares in BES companies have performed extremely well.

Originally, the BES was intended as a way of raising equity for start-up businesses which might otherwise have found it impossible to raise money, while encouraging wider share ownership among the public.

Since the BES was introduced in the March 1983 budget as an updated version of the BSS (Business Start-Up Scheme), the amount of money coaxed from investors has shot up, reaching £365m last year.

Following the March 1988 budget, the nature of the scheme altered dramatically. A maximum of £500,000 an issue was placed on all schemes with the exception of shipping and timber companies. Also exempt are companies which raise up to £5m a year to invest in residential properties that are going to be let as assured tenancies. As a result, less than £5m was invested in all the more entrepreneurial non-assured tenancy issues last year.

Individuals can invest up to £40,000 in BES schemes or funds in each tax year, and if they hold onto their shares for five years or more, they can sell them free of capital gains tax.

It is also possible to claim income tax relief against taxable income at the top rate of taxation on up to £40,000 a year of BES investment during the year in which the shares are bought.

The relief is given in the financial year of purchase as well – hence the rush to invest every year by April 6. However, it is also possible to carry back £5,000 worth of investment to the previous tax year if this is invested before October.

At the moment, husbands and wives can only claim joint relief on investments of up to £40,000. However, in the next tax year (1990/91) husbands and wives will be able to claim relief on £40,000 each.

The attractions of BES tax relief are increased by the gearing effect of the tax break. Suppose, for example, you *decided five years ago to invest* £40,000 in BES shares and your highest rate of income tax at the time was 40 per cent.

The way it works is that you put up the £40,000 and then at the end of the financial year you apply for your relief by presenting your BES 3 Certificate from the company to the Inland Revenue. Because of the tax relief on the first year's investment, you would have invested only £24,000 (in other words, 60 per cent of £40,000). So if your shares doubled in value, you would have made £56,000 (£80,000 - £24,000 = £56,000).

If these were UK shares you could be liable to capital gains tax of up to 40 per cent on *disposal*; however, as a BES shareholder of five years, you would be exempt.

Does that sound too good to be true ? Unfortunately with BES it often is.

There is no guarantee that the shares will go up, and as BES ventures are often start-ups and quite risky, the shares may well go down. If you do not hold your shares for five years, you lose your right to tax relief.

If the company goes into receivership, you not only lose money on the shares, but you lose your tax relief too. If the company goes into liquidation, however, you keep your tax relief.

■ **If you have decided that you are interested in BES, how do you buy the shares?**

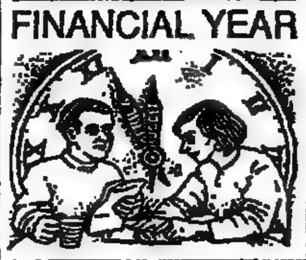
There are two main routes into BES companies. The first is through a *prospectus issue*, similar to a stock market flotation, where the shares are issued for sale direct to the public, usually through a sponsor.

The other route is via a BES fund which invests in a range of companies. This reduces risk, but also means the investor has less choice over the ultimate investment. BES funds became more popular last year, partly because they are a logical way to invest in a variety of assured tenancy properties. The early track record of many of the funds leaves something to be desired, but their performance seems to have improved.

ACTION!

FOR THE END OF THE

FINANCIAL YEAR



Always check that the sponsor or promoter is registered with a regulatory body such as FIMBRA, and that the issue costs are not prohibitively high. The usual range for costs is between seven and ten per cent, depending on how much of the issue is subscribed. The names of sponsors and issues are published in the newspapers.

If you need a prospectus, contact the sponsor, or your financial adviser. Alternatively the Allenbridge Group (tel. 01-409-1111), which publishes the BES Investment Research Newsletter, will provide prospectuses for private investors.

Check how much the management is taking out of an issue and look for companies where *the management has* an interest in shares or options – a good incentive to perform – but make sure they are not milking the company. Read the prospectus carefully, checking the small print.

■ **Is it worth investing in BES companies?**

The tax break does make the scheme a worthwhile option for higher rate income tax payers. This year, though, there are signs that total investment will be down to around £175m, according to Steven Rowe of *BES Monitoring. Last* year (1988/89) was an exceptional year as it was the last chance to get 60 per cent tax relief in the clawback period and assured tenancies were a novelty.

If you decide to invest, you must also decide whether to opt for assured tenancies or the more entrepreneurial schemes. Assured tenancies are safer (but duller) and may prove *less attractive this year* if people are bearish on house prices.

■ **Does it matter to a BES investor if house prices fall further this year?**

BES companies have only 18 months to invest the money they raise in order to qualify for tax relief. Most people expect the tide to turn sometime in the next eighteen months, but the danger is that *if you invest now, you could be* investing in property well before the market bottoms out.

Over the long-term property prices do tend to go up with real earnings, and BES investors should be taking at least a five-year view. BES assured tenancies also offer investors income from rents, and many of the properties purchased have considerable potential for development, and hence capital appreciation.

One other matter you will have to consider is how to dispose of your BES investment. The most common problem with shares in BES companies is selling them: after five years, most investors are anxious to realise their gains by selling, but this is difficult as there is no central market.

However, it is becoming easier to find an exit route and as more and more companies reach a five-year trading period, ways are being established to buy the shareholders out. A small number of companies have been listed on the *Stock Exchange*, while others have been taken over, or the original outside shareholders have been bought out by the management.

BES NEW ISSUES

Name	Description	Raising	Minimum individual subscription	Closing date	Sponsor
Airways Homes	Assured tenancy	£5m	£1,000	7/3	Barclays Bank
Assured Close Care Centres	Assured sheltered housing	£3.3m	£1,050	28/2	Chancery
Fourth Roman Property	Assured sheltered housing	£5m	£1,100	12/4	Capital Ventures
BESRES Lakeland	Assured tenancy	£5m	£2,000	5/4	Sun Life Investment Management
Twelfth Lazard Development Capital Fund	Non-assured tenancy fund	£500,000	£2,000	5/4	L.D.C.
Short Sea Europe	Cargo transport	£4.34m	None	5/4	L.D.C.
Edinburgh Tankers	Oil tankers	£5m	£1,125	12/3	Johnson Fry
Kerrington Developments	London property	£5m	£1,100	14/2	Chancery
Quality Coaching 2	Inns with 10-20 bedrooms	20 x £500,000	£1,000	24/2	Johnson Fry
Waterside Collection and special opportunities scheme	Waterside developments	18 x £5m	£1,000	5/3	Johnson Fry
Broadoak Pharmacy	Chemist shops	10 x £500,000	£1,000	9/3	Chancery

Innovation takes a back seat

THE BAD news for investors in the Business Expansion Scheme (BES) is that 1989/90 is not going to prove a great year for innovative and fascinating new schemes. Assured tenancy issues dominate, as was the case in the past tax year.

Not only is there less choice than at this time last year but it looks possible that a number *of issues will fail to* raise the minimum subscription. This makes it all the more important to choose carefully. Enough warnings: here is a selection of some issues which are open.

Airways Homes was one of the most successful in the 1989 clawback period and it is returning to the market to look for another £5m. The idea is to invest in, and let, properties near west London's Heathrow airport, mainly to British Airways employees. This is a good, solid offer and the costs are comparatively low but the greatest risk is that there could be a limit to the investment potential in properties right under the flight path.

Assured Close Care Centres is an assured tenancy company also offering nursing care to tenants. Despite some sickly pictures of doctors taking nurses' blood pressure, it is a fairly healthy issue. Like Airways, the costs are reasonable and the idea is tried and tested. But the company failed to raise all the money it wanted last September, which suggests that a fair few investors felt uneasy about the prospects for the sheltered housing market.

Another familiar name offering sheltered assured tenancies is **Roman Property**. The costs are fairly modest at 5.8 per cent of the maximum subscription. Previous Roman issues have proved popular: the company is trading already and has developed 17 apartments in Shropshire. It is also offering insurance against almost every possible *contingency likely to* dismay the BES investor, such as a fall in property prices and legislation by a future Labour government.

BESRES Lakeland is the latest Sun Life residential property fund. Unlike its predecessors, however, the investment area is restricted to one geographical location – the Lake District of north-west England. But the Lakeland housing *boomlet is already showing* signs of running into difficulties, partly as a result of local concern about over-development. Sun Life has agreed with the local authorities to have a preferential purchasing position if it lets the properties to locally-employed people for the first five years.

Among BES funds, **Lazards** has one of the longest and better track records. It is now raising money *for its* 12th Lazard Development Capital (LDC) fund. None of the money will be placed in assured tenancy issues but some will be invested in another LDC issue, *Short Sea Europe (see below).*

No more than 25 per cent of the fund will be invested in one company, although this could be another issue advertised publicly. Existing Lazard investors will be charged 5 per cent plus VAT for management, while newcomers will be charged 7 per cent. The tone of the prospectus is "leave all the decisions to us": unfortunately, it is not exciting reading.

The problem with funds, as Lazards has found, is that performance can be affected *adversely by just one rotten* apple – and investors have very little control over where their money goes. Potential investors should also ask why they have to pay Lazards just to invest in one of their own issues.

Short Sea Europe operates ships which are small enough to anchor in the smaller ports and inland wharves around Europe, and which carry a *variety of commodities such as* grain, china clay or building materials. Short Sea was one of many issues which failed to raise the £5m it was seeking in September.

A slightly different shipping issue is **Edinburgh Tankers**, which has raised £13.2m under the BES. Its tankers carry oil, so an increase in crude prices could reduce consumption and, thus, the demand for tankers. Potential investors in Short Sea and Edinburgh Tankers might feel uneasy about pinning their hopes on the recovery of a market which has been in the doldrums for years.

Similarly, **Kerrington Developments** could find it difficult to convince investors of the merits of investing in property development in the Greater London area, despite its good track record and previous popularity.

Johnson Fry's Quality Coaching Inns is hoping to raise 20 lots of £500,000. The company will purchase and refurbish hotels and inns with 10-20 bedrooms, which will be managed by Resort Hotels, a listed company.

Only the last two offers are new names. **The Waterside Collection and Special Opportunities Scheme** offers a choice of five areas investing in assured tenancy properties in waterfront developments, such as Glasgow docks, as well as a national scheme.

If you believe that waterside developments are more lucrative than others – remember, *dockside often lack communications, shopping centres and* trees – then this is one in which to invest.

Broad Oak Pharmacies is offering 10 issues raising £500,000 each to buy a number of independent chemist shops. The company has a reasonable track record, but how well the BES shares perform will depend on the individual managers of the shops bought.

Broad Oak will be managed by Paydens, an existing chain of chemists with 38 shops, which has indicated that it is willing to make an offer for Broad Oak at the end of the five-year period – so it is one issue, at least, where there should be an exit route for investors.

Heather Farmbrough

EXPATRIATES

Tax blow over fees

THE COMPLACENT world of expatriate taxation has been thrown into confusion over the question of whether school fees count as a taxable perk. The Privy Council, the final court of appeal for many of the UK's dependent territories, decided last month that school fees paid by a company under its employee's contract of employment are a "perquisite" derived from his employment and are liable to salaries tax under Hong Kong law. Peter Willoughby, a leading London and Hong Kong-based lawyer who was professor of law at the University of Hong Kong early in the 1980s, this week described the decision as being inconsistent with long-established legal principles.

But why all the fuss? After all, UK resident "higher-paid employees" (those earning more than £8,500 a year expect to pay tax on all fringe benefits, from private medicine and company cars through to luncheon vouchers. The answer is that, despite superficial similarities, Hong Kong tax practice parted company from UK law many years ago.

Way back in 1892, the House of Lords threw out an attempt by the UK Inland Revenue to tax an employee on the value of free accommodation. The thinking behind this decision was later put rather crisply by a leading High Court judge, who said: "If a person is paid a wage, with some advantage thrown in, you cannot add the advantage to the wage for the purposes of taxation unless that advantage can be turned into money."

Throughout the 20th century, though, the UK tax authorities became more and more aggressive in trying to neutralise schemes devised to circumvent very high rates of taxation. By 1970, the courts had finally accepted that a perquisite included not only money actually paid to employees but money paid in discharge of their debts. This includes school fees.

Such thinking has never taken hold in Hong Kong, where direct taxation is much lower than it has ever been in the UK. Until the Privy Council's latest decision, Hong Kong's fiscal policy and tax practice assumed that money for school fees which was derived from a discretionary trust established by an employer was not part of the employee's income and was not taxable.

Many prominent Hong Kong employers use the discretionary trust method of financing employees' school fee bills; indeed, they describe it, somewhat grandly, as a scholarship. This practice has never been challenged by the Hong Kong tax authorities. But the ramifications of the Privy Council's latest ruling extend beyond school fees because, in fringe benefit terms, there is nothing special about education. As Willoughby points out, members of the Hong Kong establishment all are provided with cars and free parking. The change in the law implied by the Privy Council would mean their being assessed for salaries tax on such perks.

In practice, that is unlikely. It is also unlikely that the Privy Council's decision, influential though it might sound, will overturn Hong Kong's tax practice in relation to fringe benefits. It is almost a year since Anthony Au-Yeung, Hong Kong's Commissioner of Inland Revenue, issued a practice note stating: "Payments made by an employer in respect of the education of an employee's child, irrespective of how or to whom the payments are made . . . will be regarded as perquisites chargeable to salaries tax." It remains to be seen if this practice really is implemented.

Some specialist lawyers argue that not only is the practice note a contradiction of what really happens in Hong Kong but that it also ignores what had been thought to be good case law. Even if school fees do become liable to Hong Kong salaries tax, no one is expecting that the Privy Council's decision is going to be turned into a general rule for all fringe benefits. For the time being, then, the generous (by UK standards) tax treatment of accommodation, first-class travel and share options, which form part of many expatriate remuneration packages, appears to be quite safe.

Peter Gartland

■ Peter Gartland is editor of The International, the FT's magazine for expatriates.

March pay-out for Dumenil clients

UNIT-HOLDERS with the troubled Dumenil group finally learnt the fate of their investments this week when the Securities and Investments Board (SIB) announced that the 11 trusts in the Dumenil stable would be wound up. The trusts, which covered different European markets, ran into trouble after a series of administrative failures led to mistakes in pricing the units over the past two years. Investors will be paid the bid price of their units as of November 6, 1989, when the funds were suspended. The pay-out is expected at the beginning of March.

There will also be compensation for investors whose units have increased in value since the funds were suspended, or who have suffered from pricing errors arising from the chaotic administration system. A compensation fund has been set up by Dumenil's parent, the Paris-based Banque Duménil Leblé, and the two trustees, Midland Bank and Coutts. Those who benefited from errors will not be expected to repay any surplus.

Because of difficulties in reconstructing its records, however, Dumenil might not be able to contact some of its clients in order to compensate them. If you are a former owner of units, it could be worth checking your records.

The other problem concerns taxation. Many investors probably would have chosen to keep their money in the units had the group not run into difficulty. But now that the trusts have been wound up, capital gains tax will be due on the gains.

In other words, investors who want to put their money in other unit trusts will face a tax charge they would not have incurred had they kept their money in a continuing trust.

However, in an apparent concession, the Revenue has agreed to treat repayments from Dumenil funds as falling in two separate tax years. Gains made up to November 6 1989, which will be reimbursed in March, will be taxed in the current tax year, while gains made subsequently and compensated for later will fall in the next tax year. Also, once investors transfer their money to a new group, they will have to pay an initial charge of around 6-7 per cent.

Some unit trust groups are offering discounts to former Dumenil clients who invest in similar funds. Royal London Unit Trust Managers, a subsidiary of the Royal London Mutual Insurance Society, is offering them a 5 per cent discount to invest in its range of unit funds, including its recently-launched European single market trusts. These offer a choice of German, French, Italian, Spanish, Dutch or Swiss funds for those bruised but persistent investors who remain interested in single European markets.

The discount almost wipes out the 5.25 per cent initial charge on the trusts. The offer is open for a three-week period following the repayment to investors and unit-holders will have to provide receipts to prove they were Dumenil clients.

Gartmore is also offering Dumenil investors the opportunity to switch into its range of authorised unit trusts, including the new Euroventures trust with no front-end charge. Gartmore's offer remains open for a four-week period following the payments.

Dumenil's problems have highlighted the fact that the main weakness with many financial services groups is their administration. Although this applies to companies throughout the spectrum, good back-office management is of particular relevance to unit trust groups. They need to provide – regularly and promptly – unit prices based on a variety of asset values.

As far as unit trust administration is concerned, the SIB and the Investment Management Regulatory Organisation have relied heavily on the trustees without imposing regular external checks to see the work actually is being done properly.

Eric Short

Terry Dodsworth examines some paradoxes and anomalies in a new study of the stock market

High returns without taking undue risks

IF YOUR interest in stock market investment is capital growth, your best approach is to look for companies offering a high dividend yield.

If this sounds like a paradox, here's another: high-income unit trusts, designed to give their customers healthy dividends rather than capital appreciation, usually generate a bigger increase on the money you invest than growth funds set up for this purpose alone.

These points emerge from a new study of stock market returns by Michael Lenhoff, portfolio strategist at Capel-Cure Myers, the London stockbroker*.

Lenhoff believes there are some weaknesses in the efficient markets hypothesis (the notion that stock markets represent fully all knowledge of corporate activity, and that investors can achieve unusually high returns only by taking abnormal risks).

In line with a great deal of American research, he argues that there are significant anomalies in market behaviour which allow some groups of stocks to deliver exceptionally high returns on a consistent basis without undue risk.

One of these groups is small companies. According to Lenhoff, however, it has proved notoriously difficult for fund managers to capture the outstanding returns from small companies, possibly because many of the best performers are too tiny to fall within the investment criteria of the unit trusts.

Another group is high-yielding equities – companies with shares that, unlike stocks in many small businesses, are available readily to unit trust investors.

Indeed, many of these companies are well-entrenched organisations which have fallen on difficult times (dividend yield increases in inverse proportion to share prices, so high-yielders often are companies which are causing anxiety to investors for one reason or another).

Perfect market theory would suggest that high-yielding shares of this kind also are riskier than the norm. Not so, says Lenhoff. According to his analysis, they offer equal or superior stability to low-yielding companies. In other words, they represent a market anomaly.

What is more, this is an anomaly which has provided investors with some consis- growth fundstently encouraging returns over a considerable period. This can be demonstrated by unit trust figures.

According to statistics from the Unit Trust Association, high-income funds have generated a greater total return than growth funds during the past 15 years

According to statistics from the Unit Trust Association, high-income funds have generated a greater total return – taking into account both capital growth and income on a re-invested basis – than growth funds during the past 15 years.

These figures are based on an investment of £1,000 and hold true whether the two types of trusts are compared over a five-, 10- or 15-year period. The superior return of income funds has, generally, exceeded 20 per cent.

So, should you invest in these sort of income funds in the hope of hitching a ride on the anomaly effect? And if you do, will you be helping to undermine the anomaly by bidding-up the relevant shares so they are no longer underpriced?

Lenhoff says you should not have great fears that the anomaly will disappear: "People have known about this phenomenon for many years, just as they have known about small companies. But the anomaly goes on and on. People simply don't understand it – if they did, it would be arbitraged away."

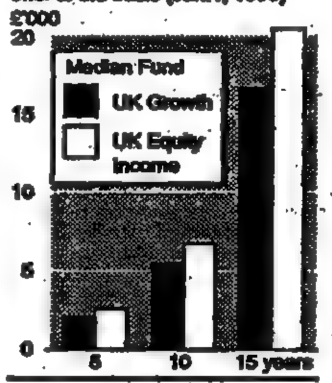
A more cautious view from people in the unit trust industry is that high-yielding stocks may have had a particularly good run over the past decade or so because of the reconstruction going on in British industry.

Typically, high-yielders are companies trading at less than their net asset value. Thus, they provide opportunities for take-over or drastic re-organisation, both of which help raise share prices. Lenhoff's critics caution that these are not necessarily conditions that will persist.

**Market Anomalies. Capel-Cure Myers, Royal Mint Court, London EC3N 4EY (tel. 01-488-4000).*

UK Unit Trust

Realisation value of £1000 invested 5, 10 or 15 years ago, with net income reinvested, on an offer to bid basis (Jan.1, 1990)



The Week Ahead

Good news at Reuters

SHARES IN Reuters, the international news and financial information group, have had a strong run in the lead-up to its results on Tuesday for the year to December 31.

Analysts are expecting pre-tax profits of about £283m, up 32 per cent, and earnings of 44p, an increase of 38 per cent. They will also be looking for a launch date for Money 2000, the new product which will replace the existing Monitor screens in foreign exchange dealing rooms round the world.

The market will, too, be keen to hear about Reuters' prospects for selling the hardware of capitalist trading to eastern Europe, but is likely to be told that the company is more excited by the rapidly growing Pacific Rim market.

☐ British Airways is announcing its third-quarter results on Wednesday. Kleinwort Benson expects profits to reach £59m compared with £51m last year, with yearly profits at £315m compared with £268m.

In January, the company warned analysts that profit forecasts had been too high because of rising aviation fuel prices. In some parts of the world, these have increased by 35 per cent.

However, BA's traffic has grown by 6 per cent this year – faster than capacity. The company has also benefited from the late delivery of some Boeing 747-400s and lower pension contributions.

Analysts do not expect BA to suffer too greatly from a down-turn in the US market during the next quarter. The company is protected by its broad geographical spread.

☐ After reporting disappointing third-quarter results in November, British Petroleum, the giant oil group, is due to report its fourth-quarter results on Thursday. Followers are looking for net income of about £450m, bringing the total for the year to around £1.75bn.

Oil prices have remained high during the period, which will have helped to sustain profits. But gains from property disposals will probably be the most significant feature of the results. The disposal of the West Britannic office block in the City of London is expected to realise well over £100m.

The results may be overshadowed partly, however, by some fierce questioning over this week's oil slick off southern California caused by a tanker on charter to British Petroleum America.

☐ Dalgety, the food and agribusiness group, has fared better during the latest safety scare than during the previous one, when the salmonella episode wiped out profits from UK eggs.

Interim results on Monday will show a healthy recovery in eggs, and animal feed sales have been resilient despite publicity about bovine spongiform encephalopathy (the so-called mad cow disease). Like other feed producers, Dalgety was helped by a hot summer which limited the harvests of natural fodder.

Elsewhere in agri-business, weakness in the Australian wool market will be offset by an up-turn in the pig cycle in the UK, a reverse of the situation in 1988. Few surprises are expected from pet foods or the human side of nourishment, where Dalgety owns Homepride and Golden Wonder.

The results include a final, but not material, three-month contribution from Gill & Duffus, the commodities business sold in October. Group pre-tax profits should breach £56m in the six months to December 31, against £51.7m in the 1988 period.

☐ Pre-tax profits achieved by Amstrad, the troubled electronics company, during the six months to end-December are bound to look bad when they are announced next Friday. Analysts' forecasts range between £20m and £25m, well down on last time's £78m.

However, with inventory standing at £325m at the last year-end, attention is focused firmly on the balance sheet rather than the profit and loss account. Amstrad has reported that it has been turning some inventory into cash through shifting stock during the autumn; the City will be seeking further details on this encouraging sign.

☐ Bryant Group, the Midlands-based house-building and construction company, is expected to reflect the woes of its sector when it reports interim results on Tuesday. Pre-tax profit estimates cover the £15m to £20m range but, whatever the precise number, it will still show a marked fall from last year's £31.1m.

Bryant's heavy exposure in the house-building markets of southern and central England will have hampered its performance. English China Clays still holds just under 30 per cent of the company's shares.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
ABB Kent Hldgs.	178*§	170	153	135.27	ABB Investments
Alexander (W.)	113*	111	112	32.02	Spotlaunch
Britannia Sec.‡	132½§	132	109	103.93	ADT
Chemoxy Intl.	400	405	288	11.62	MTM
Colonnade Dev.	183*§	180	161	8.24	Plusflow
Desoutter Bros.	700*	688	635	89.5	Atlas Copco
GPG	17*	21	23	55.0	IEP
Hartwell	135*§	139	120	107.5	Oakhill
Do. 7.875pc Pf	124.7*§	127	104	43.66	Oakhill
Hyman	30*§	29	26½	15.84	ER Carpenter
Intl. City Hldgs	34	52	34	23.11	York Trust
Jitra Rubber	55	62	60	6.10	Rowe Evans Invs.
KLP Group	238*	236	180	23.60	RSCG
Do. Conv. Pref.	87*	85	87	8.44	RSCG
Laing Properties	650*§	661	584	390.60	Pall Mall Props.
Mackay (Hugh)	130§	132	132	7.76	Allied Textile
Meinmet Hldgs.	10*§	12	60	0.63	ISS
Myson‡	240*§	238	224	197.50	Blue Circle
Nat. Telecom‡	60*	61	49	20.39	Alcatel
Norfolk Cap.	42½§	42¾	38¼	175.88	Queens Moat
Really Useful Grp	233*§	232	218	77.4	Newco
Saga Group	300*§	297	294	84.24	De Haan
Saltire Ins Invs	78.75§§	73	60	11.81	ESB
Sanderson Murray	175*	203	150	3.325	Mitchell Mitchell
TDS Circuits	10*	20	20	0.90	Telecomp
Tavern Leisure	34	33	36	8.67	Millwall Hldgs.
Woodington	36	35½	42	8.00	Bridgend Group

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 9/2/90.†At suspension. §§Shares and cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aaronson Bros.	Sept	2,120	(5,820)	4.35	(12.2)	3.5	(5.75)
Beckenham Group	Oct	3,820	(2,170)	8.9	(7.7)	3.0	(2.5)
Berkeley Govett	Dec♥	39,300	(31,360)	42.0	(39.6)	16.0	(13.0)
Buckingham Int.	Oct	5,410	(220 L)	6.98	-	1.6	-
Fleming Claver.	Dec	1,780♣	(1,630)♣	8.89	(8.17)	8.5	(7.25)
Hambro Eurobond	Dec♣	343	(2 L)	-	-	-	-
Kemp PE	Oct	381 L	(177)	-	(2.74)	0.5	(1.5)
Kleen-E-Ze Hgs.	Sept	2,880 L	(1,810)‡	-	(30.8)	-	(12)‡
London Wall Hgs.	Sept	3,300	(0.780)	23.7	(7.9)	8.0	(4.0)
Merrett Hldgs.	Sept	9,870	(4,420)	27.7	(12.8)	8.25	(3.5)
Sandell Group	Sept	78	(306)	-	(10.1)	4.4	-
Securicor Group	Sept	38,200	(27,300)	16.3	(10.6)	1.516	(1.29)
Securiguard Gp.	Oct	6,220	(3,109)	24.6	(20.0)	8.0	(6.5)
Security Srvcs.	Sept	28,200	(21,800)	15.7	(14.9)	2.914	(2.49)
St Modwen Props.	Nov	10,070	(5,330)	6.2	(3.5)	1.4	(0.8)
Union Discount	Dec	10,540	(3,470)	-	-	33.0	(30.0)
UTC Group	Dec	395 L	(5,790)	-	(23.3)	5.0	(10.0)
Ward Holdings	Oct	7,220	(14,440)	8.5	(18.1)	2.6	(2.6)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Birse Group	Oct	5,240	(4,330)	0.25	-
BOC	Dec†	81,500	(76,525)	-	-
British Telecom	Dec♦	2.008bn	(1.862bn)	-	-
Budgens Food	Nov	11,700	(8,403)	2.0	(2.0)
Dunton Group	Nov	366	(504)	0.48	(0.48)
Elbief	Oct	70	(225)	0.18	(0.68)
English & Caledonian	Dec	56♣	(19 L)♣	1.0	-
Hambro Currency Fund	Dec♣	1,030	(881)	-	-
Helton Holdings	Oct♣	943	(494)	0.65	(0.5)
Micklegate Group	Oct	1,310	(175)	-	-
Triton Europe	Nov§§	1,560	(407)	-	-
Unitech	Nov	12,290	(7,840)	4.2	(3.67)
Welsh Industrial	Oct	20	(14)	-	-
Wholesale Fittings	Oct	2,560	(2,980)	3.23	(3.23)
YRM	Oct	1,390	(1,170)	1.65	(1.25)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.‡ Figures for 17 months.♥ US dollars and cents.♣ Irish punts and pence.♣ Net revenue.§§ After tax profits.† Figures for 3 months.♦ Figures for third quarter.

RIGHTS ISSUES

Rosehaugh seeks £125m via a discounted rights issue.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Wiltshire Brewery Co. is to join the main market at an initial market value of 3.06m.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Amstrad	Thursday	0.4	1.0	0.4
Anglo & Overseas Trust	Friday	1.35	2.75	1.6
British Petroleum Co.	Thursday	3.65	8.5	3.65
Crest Nicholson	Thursday	2.5	4.65	3.0
Dickie (James)	Friday	-	-	-
Egerton Trust	Tuesday	2.0	4.5	3.5
Fairway (London)	Monday	1.0	1.5	1.0
General Consolidated Invest.	Wednesday	3.24	4.49	4.0
Green Property	Thursday†	1.1	2.0	1.2
Hunterprint	Monday	3.0	7.0	3.0
Independent Newspaper	Wednesday†	3.3	10.0	4.0
Newmarket Venture Capital	Friday	-	-	-
Norsk Hydro AS	Thursday♣	-	3.75	-
Reuters Holdings	Tuesday	2.8	6.2	3.8
River & Mercantile Trust	Thursday	1.4	2.35	1.5
Sandell Group	Monday	-	-	1.7
Scottish American Investment	Wednesday	0.68	0.74	0.85
SEP Industrial Holdings	Wednesday	0.3	-	0.4
TR Pacific Investment Trust	Monday	-	0.2	-
Tribune Investment Trust	Thursday	0.72	3.28	0.85
Trust of Property Shares	Thursday	-	0.933	-
Wise Leslie Group	Wednesday	1.25	1.75	1.5
INTERIM DIVIDENDS				
Bailey CH	Wednesday	-	-	-
Black Peter Holdings	Monday	0.65	1.75	-
British Airways	Wednesday	2.5	5.25	2.8
Bryant Group	Tuesday	1.4	3.4	-
Dalgety	Monday	6.5	10.0	-
Elders IXL	Tuesday♥	9.5	11.0	-
Essex Furniture	Monday	-	-	-
Fleming Overseas Invest. Tst.	Tuesday	1.5	2.5	-
GT Venture Investment Co.	Thursday	-	2.0	-
Hanson	Wednesday	2.5	6.0	-
Howard Holdings	Monday	0.6	0.9	-
Huntingdon International Hgs.	Tuesday	0.7	2.25	-
Mid Wynd International Inv.	Monday	1.55	2.65	-
News International	Thursday	2.5576	2.421	-
Norton Group	Wednesday	-	-	-
Orchid Technology	Monday♣	-	0.5	-
Photo-Me International	Thursday	1.2	4.8	-
Portsmouth & Sunderland News	Friday	2.26	5.35	-
Second Alliance Trust	Monday	8.0	20.0	-
Triton Europe	Monday	-	-	-
Zurich Group	Friday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.† Irish pence per share.♣ American cents per share.♥ Australian cents per share.♣ Norwegian kroner/gross per share.

FINANCE & THE FAMILY

Mortgage misery

David Barchard on the options for borrowers who fall behind

FOR MANY of the first-time buyers who entered the UK housing market in 1987 or 1988, the battle to keep up with high interest rates is growing steadily more painful. A survey commissioned recently by the Labour Party suggested that 400,000 of the 7.4m building society mortgage customers were two or more months behind with their payments and Adrian Coles, of the Building Societies' Association, says: "An increasing number of people are falling behind."

A home-buyer can expect a letter from the lender when a payment is missed or not made in full. It probably will contain a request to visit his local building society branch, although prudent borrowers should take the initiative and go there well before things reach this stage. When, though, does a lender turn nasty? And how might it penalise the borrower, even if there is no question of re-possessing the house?

Jim Murgatroyd, assistant general manager of the Halifax – the largest UK mortgage-lender – says it will play straight with people in difficulties if they get in touch early to explain their problems and are honest about them. Murgatroyd stresses that even if a borrower cannot service his monthly payments in full, he should keep paying as much as he can. Terry Adams, chief executive of the Skipton Building Society, adds: "If you pay two-thirds of your monthly payment, then it will be three months before you fall a full month's instalment behind."

In the past, a lender would consider court action to re-possess the house once payments fell three months behind. But things are different in today's market. While commercial pressures to get the money are stronger, competition makes lenders reluctant to lose customers.

Only a very small proportion of borrowers ever reaches the stage when re-possession is a serious danger but many find themselves with a payments' back-log – and this is when the attitudes of lenders start to differ quite considerably.

A fair section of the lending industry, including smaller societies – which tend to make their living by accepting slightly riskier business than their larger competitors – foreign banks and some insurance companies, believe customers should be charged or even fined for arrears. "I think it is only fair that people who fall behind should pay something," says Michael McCarthy, general manager of the Walthamstow Building Society, which does charge. "The society loses income."

He points out, though, that the interest on arrears is regulated by a code of practice agreed with the Office of Fair Trading. The penalties vary from a charge of £25-£50 for an unpaid direct debit to an additional 2 per cent on the mortgage rate.

The least punitive action is to levy a surcharge on arrears. But if you have a mortgage from lenders such as the Cheshunt or Cheshire building societies, or insurance companies such as Guardian Royal Exchange or Equity and Law, this surcharge will be especially painful.

A recent survey by *Mortgage Magazine* showed that Cheshunt charges one-12th of its mortgage rate per month on the arrears while Cheshire makes a monthly charge of 2 per cent of the total owing. BNP, the French bank, adds the equivalent of 2 per cent to the mortgage rate (by taking away a notional 2 per cent reduction for prompt payment). Guardian Royal Exchange adds two percentage points to its rate while in arrears and Equity and Law adds one point. That, says *Mortgage Magazine*, would mean an increase of around £74 a month on a £50,000 mortgage and would certainly reduce the chances of a borrower piloting his way successfully out of difficulty.

If, though, you have your mortgage from a large building society, things will be different. They take the view that punishing customers who have got into trouble without being imprudent is not very productive. They also have a long-term interest in their borrowers and those like the Halifax and Woolwich are stretching their resources to the utmost to keep their interest rates as low as possible.

Large societies usually fine borrowers only if the arrears have not been agreed and there is a dispute between the two sides. "We don't believe in fining people," says Adams at the Skipton. "Our message is that we believe it is unthinkable to fine anyone who constantly pays something but is in hardship."

One reason building societies don't like squeezing customers too hard is that they can always throw in the towel and simply hand over their house keys, short-circuiting the whole re-possession process. Adams says that if the borrower really has been defeated by high interest rates and is acting in good faith, the society has little choice but to accept the house.

"Yes, it is quite common for people to hand in their keys," says Walthamstow's McCarthy. "It tends to occur while interest rates are high, prices are moving slowly, and there is no sign of any gain to the borrower from inflation."

Building societies are less alarmed by customers letting out their homes – another strategy popular with despairing borrowers – so long as the arrangement is done with their knowledge and the tenancy is covered by a proper legal agreement. Some societies add an extra percentage point to their interest rates when a house is let. But lenders such as mortgage companies, which package their loans into bonds for re-sale on the money markets, tend to be less keen on the idea.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.05	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.75	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-25,000	1 mth
Income bonds	12.50	[illegible]	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.78	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS§							
8pc Treasury 1991	13.29	11.17	9.90	half yearly	4	-	0
8pc Treasury 1992	12.59	10.76	9.49	half yearly	4	-	0
10.25pc Exchequer 1995	11.86	9.19	7.59	half yearly	4	-	0
8.6pc Treasury 1990	12.21	9.92	8.54	half yearly	4	-	0
3pc Treasury 1992	10.77	9.947	9.43	half yearly	4	-	0
Index-linked 2pc1992§§	10.23	9.71	9.40	half yearly	2/4	-	0

*Lloyds Bank †Halifax 90-day: immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Tax change might aid investors, says Eric Short

Boost for life funds?

THE INLAND Revenue dropped a bombshell on life companies and potential investors just before Christmas: it announced a number of changes, including the taxation of unrealised gains on the unit trusts held by their life funds. However, a recent study suggests that, in some circumstances, investors may do rather better under the new system of taxing life funds than at present.

The change starts on April 1 and applies to contracts taken out after that date. It will affect not only those life companies which offer single and regular premium contracts linked to certain unit trusts, but also the traditional life companies which have used unit trusts as tax-efficient investment vehicles for their main life funds.

Standard Life had already built-up its unit trust holdings in its main life fund to £2.4bn out of £13.4bn at the end of 1988, and every other traditional life company was about to follow its example – virtually forcing the Revenue to announce the tax changes.

Under the present system, life companies have a contingent capital gains tax liability on their unit trust holdings that is not realised until the units are sold.

The liability is based on the difference between the bid price of the units at the time of the sale and the original offer price, adjusted for movements in the Retail Price Index. The life company's actuary sets up a contingent CGT tax liability reserve based on his estimate of the sum owing and when it is likely to be called. This reserve is reflected in the unit price. Under the new system, though, life companies will be assessed at the end of their accounting year on a notional increase in the value of the unit trust holdings, and a CGT liability will be incurred and spread over seven years.

On the surface, it looks as if this change will cut back even further the yield on bonds compared with that of the underlying unit trusts, making contracts taken out after April 1, 1990, less attractive. So, you might expect life companies and intermediaries to start a "buy now while stocks last" marketing campaign for both life bonds and regular savings contracts linked to unit trusts.

However, the effects of the change are likely to be nowhere near as drastic as first thought. The effect of the new system is to bed-and-breakfast the underlying units automatically every year, up-dating the CGT base annually.

Investigations carried out by the life consultancy division of William M. Mercer Fraser on the effects of the new system, based on past investment experience, show that investors will receive a higher net return in a strong bull market but that the return is not as good compared with the present system when the market falls or remains steady.

Life companies have little choice but to keep separate units relating to contracts before and after the change-over date. Thus, the companies probably will issue either a new series of contracts or quote two different unit prices. Investors who are approached by salesmen eager to sell linked-life contracts before the deadline need to bear these points in mind.

All intermediaries must give investors a Buyer's Guide at the beginning of any sales exercise, telling them what information they should receive about the product being offered. Investors should make sure the tax implications are stated clearly and should also have the intermediary explain why he is recommending a life bond or regular savings contract rather than direct investment in unit trusts.

■ Existing with-profit policyholders with life companies such as Standard Life will continue to do well from the investment in unit trusts by the main life fund. The Revenue has been very generous in its transitional arrangements: life companies can transfer the underlying assets from the unit trust to the life fund without incurring any CGT liability, thereby locking-in the benefit of the capital appreciation of those assets for as long as the fund holds them.

Express planning

AMERICAN Express is expanding further into the UK personal finance industry with the launch of a national financial planning organisation called Acuma.

This will help clients draw up detailed plans for organising their finances for a set fee of £245, and Amex says any individual or family with an income of £20,000 or more could benefit.

Acuma is based upon the company's experience in the US where a subsidiary, IDS Financial Services, has been operating a similar service for many years.

The company says it will draw up plans no matter whether it can sell clients any of its financial products as a result. It concedes, however, that it will have to persuade customers to buy some of these products – which include unit trusts, pensions, mortgages and insurance policies – in order to make a profit on the enterprise.

The initial launch will concentrate on the south-east of England, where the company already has 70 financial planners in place. By 1992, Acuma aims to have 500 planners spread around the country.

Terry Dodsworth

Where the perks are

COMPANIES often like to tempt their shareholders with perks and discounts on their products. They see it as a good way to promote their brands and services while keeping the shareholders loyal.

Seymour Pierce Butterfield, a private client stockbroker, has updated its directory* providing details of the various discounts available to shareholders.

At the same time, it warns investors not to pick a portfolio simply on the basis of these.

If you hold shares in the following companies, discounts are available on:

■ **Clothing:** Alexon, Laura Ashley, Austin Reed, the Burton Group, the Gieves Group, Moss Bros and Next.

■ **Home furnishings and kitchens:** ADT (kitchens, showers and double glazing), Laura Ashley, Manders (paints and brushes) and Norcros (doors, tiles, double glazing).

■ **Food, drink, restaurants, hotels and holidays:** Allied Lyons, Associated British Foods (sample pack of groceries), Barclays Unicorn (QE2 cruises), Bass, HP, Bulmer Holdings (cases of wine), City Centre Restaurants.

Friendly Hotels, Grand Metropolitan, Greene King & Sons (wine), Ladbroke Group (Hilton International Hotels), Lonrho, the Rank Organisation, Scottish & Newcastle Breweries and Trusthouse Forte.

■ **Houses:** Barratt Developments (£500 off every £25,000) and Bellway (£600 off £25,000 up to a total of £3,000).

■ **Financial products or services:** Bank of Scotland (free Premier Visa Card), Berry Birch & Noble (reduced household insurance policies), Britannia Arrow Holdings (MIM Britannia unit trusts).

■ **Books:** Pentos (Dillons, Athena and Rymans).

**Concessionary Discounts Available to Shareholders in UK Companies 1990. Published by Seymour Pierce Butterfield, 10 Old Jewry, London EC2R 8EA. Price £2.50.*

Sara Webb

A trap for the ethical

ETHICAL investors beware: more than half of the 50 largest publicly-traded British companies have some involvement in military production and sales, according to a newly-published briefing by the Ethical Investment Research Service (EIRIS).* The document is intended for anyone who wants to avoid investing in companies with any military involvement. It covers all 699 constituents of the FT Actuaries All-Share index as at September 30, with the exception of the 69 investment trusts which deal mainly in other companies' shares.

All told, 238 of these companies – representing 54.5 per cent of the market's entire valuation – derive some portion of turnover from military production and sales. Of this total, 57 companies – or nearly one-quarter – have benefited from Ministry of Defence contracts exceeding £5m in one or more of the past three fiscal years; 115 have been involved in making or selling weapons and weapon parts (of which eight made or sold nuclear weapon systems); 237 provided "strategic" and other products and services ranging from industrial gases to window-cleaning; and 27 have been awarded US Strategic Defence Initiative contracts or supplied detailed responses to the SDI Office on their areas of expertise.

The extent of military involvement of the 50 largest companies ranges from the likes of Thorn EMI and GEC, which feature in each EIRIS sub-category, to BOC and Trusthouse Forte, which supply gases and catering respectively. Large companies with SDI involvement are British Petroleum, BTR, GEC, Racal Electronics and Thorn EMI.

The report also shows the effect on investment choice of combining some of the commonest ethical taboos. If you wish to steer clear of companies with involvement in either military production or South Africa, you would have to select from companies representing just 28.9 per cent of the overall market valuation.

What you might describe as the hyper-ethical investor (who screens out groups associated in any way with military products, South Africa, tobacco or nuclear power) would be left with slim pickings indeed. Only 20.4 per cent of overall market valuation and 16 of the 100 largest companies would pass muster.

Rachel Griffith, an EIRIS researcher, notes: "South Africa has historically been the area that ethical investors were most concerned over, with the military second", she says. "Now, environmental issues are close to taking over at the top."

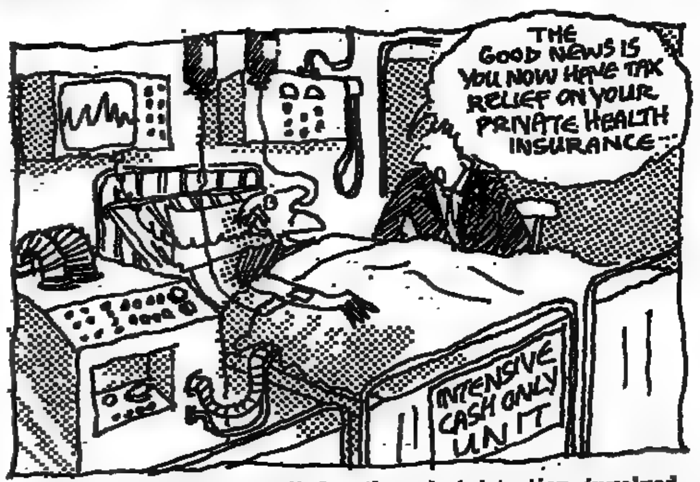
**Military Production and Sale - a Briefing for the Ethical Investor. Available from EIRIS, 4.01 Bondway Business Centre, 71 Bondway, London SW8. Price £10.*

David Owen

FINANCE & THE FAMILY

Sara Webb sees some hitches in getting tax relief on health insurance

Not what the doctor ordered



OLDER PEOPLE hoping to get tax relief on their private health insurance premiums could face a shock.

The Government's scheme for relief on premiums starts on April 6. It covers eligible policies held by people aged 60 or above, regardless of whether the premiums are paid by the person concerned or by a relative or friend below 60. The aim is to encourage older people to use private medicine rather than the state-funded National Health Service.

It seems, however, that some policy-holders could have to wait several months for relief. In some cases, this could stem from objections by the insurer; in others, it might be because the person is in the wrong kind of scheme.

According to the Inland Revenue: "No relief can be given for any premiums paid before April 6 1990. If you already have an eligible contract at that date, you will get tax relief on the first premium due after that date."

Some insurers have told *FT* readers that they will not be able to switch into an eligible policy until their existing insurance comes up for renewal. So, if that renewal date is March 1, they forego 11 months of tax relief.

Other insurers may allow an earlier switch, however, if the policy-holder is paying in monthly rather than annual instalments and the terms of the policy allow it.

Several readers have met problems arising from the type of policy they hold. Peter Wilson of London, who is insured with BUPA, wrote to it in January asking if he could be transferred to a policy eligible for tax relief. BUPA replied: "We would advise you that as your renewal falls in January, it would be administratively impossible for us to alter your registration so that tax relief can be claimed in 1990. Unfortunately, you will have to wait until January 1991 before you are eligible."

Wilson thought he would have to forego nine months' relief. On closer inspection, it turned out that because he has a family policy which also covers a child, he would not be eligible for tax relief, anyway – a fact which BUPA did not point out to him initially.

In such a situation, BUPA said the policy-holder would have to decide if it was cheaper to continue with the old policy (minus tax relief) or switch to a new policy with relief to cover the husband and wife, plus a policy for the child.

BUPA says its staff are "trying to accommodate as many people as possible in the time available." Like other insurers, it has been overwhelmed by the administration involved. Many have had to adapt existing policies and wait a considerable time for the Inland Revenue to give its approval.

A policy is NOT eligible for tax relief if it provides cover for:

- Cash benefits (other than £5 a night while having treatment in a private hospital bed).
- Dental treatment carried out by a general dental practice.
- Eye tests and other eye treatments not carried out in a hospital.
- Plastic surgery done for cosmetic reasons, such as face-lifts.
- Alternative medicine, such as acupuncture.

BUPA says it will contact policy-holders who pay premiums monthly. If their policy allows them to change before the renewal date, they will be encouraged to do so. People like Peter Wilson, who pay annually, will be contacted when their policy comes up for renewal. This means they may not be able to get tax relief for several months.

What should you do in such as situation ? One possibility is to cancel your policy and move to another company. But you will have to fill in new documents and forms. And if, as an older person, you are receiving treatment for which you are insured under your present policy, that could be jeopardised by switching to a new insurer.

Not all insurers are proving so bureaucratic. Policy-holders with PPP will be able to switch automatically into an eligible policy and get tax relief from April 6, no matter when their present policy comes up for renewal.

PPP, which claims to have 27 per cent of the health insurance market, says it will write to policy-holders in mid-March to explain the situation. They will have to fill in a tax relief form before making the transfer.

Sun Alliance says that its direct policy holders will be contacted in March and given the chance to switch automatically into eligible policies. However, certain policy holders who joined Sun Alliance via a third party, such as a club or association, may have to wait until the renewal date before they can switch.

Meanwhile, the Inland Revenue has published a leaflet – *IR 103: Tax Relief for Private Medical Insurance* – explaining how relief is given, who can claim it, and the type of cover the contract must provide. It is available from local tax offices and tax enquiry centres or from the Inland Revenue Public Enquiry Room, West Wing, Somerset House, Strand, London WC2R 1LB.

Europe: full of Eastern promise

INVESTORS IN European equities have been richly rewarded in recent months. The opening-up of the Eastern bloc has generated considerable interest on the West European bourses, helping to push up share prices.

Europe is now the top-performing unit trust sector, with the average fund showing a 33.8 per cent return (offer to bid) over the last 12 months, according to figures this week from Finstat.

Demand for shares in European investment trusts – particularly those which might benefit from the opening-up of Eastern Europe – is strong, and many trusts are now trading at a premium to their net asset value. The average premium on European investment trusts stands at 6 per cent.

So is this a good time to start investing in Europe? Investment trust specialists at County NatWest WoodMac warn that this is not a good time to buy into a specialist European investment trust which is already trading at a premium. However, Roderick Crawford of County NatWest adds that this could be a good opportunity to subscribe to a new issue because "you can be pretty certain it will go to a premium given the popularity of Europe at the moment."

Strong demand from investors was one reason why Lloyds Merchant Bank decided to launch The German Investment Trust (TGIT) this week. It is offering up to 40m shares at £1 per share with one warrant for every five ordinary shares bought. So far about £25m has been placed with private client brokers and small company pension funds.

The investment trust will have "a broad exposure to the West German market," says Bruce Ackerman, managing director of Lloyds Investment Managers, and would be able to invest in East Germany if suitable opportunities arose.

Klaus Kaposi, managing director of Schroder Munchmeyer Hengst Capital (which is Lloyds' German investment banking subsidiary), will be in charge of advising Lloyds on suitable investments.

Investors in the trust will be able to put up to 2,400 shares (with warrants attached) into a Personal Equity Plan before the rules change on April 6 1990.

Sara Webb

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Business loan for son

I AM A director of a small family business and I would like to give my son – who also works for the business – a loan for a couple of months. I would like to make this loan from my director's loan account, which is in credit. Should I declare this, and will my son have to pay interest (re tax) on the loan?

■ Assuming that your son is an employee of the company "with emoluments at the rate of £8,500 a year or more," as defined in section 167 of the Income and Corporation Taxes Act 1988 (as rewritten by the Finance Act 1989), then the loan which you make to him personally – out of funds obtained by causing the company to repay part of its debt to you – will be caught by the beneficial-loan provisions and your son will have a potential income tax liability.

The loan will be caught by paragraph 1 (4) of schedule 7 to the Income and Corporation Taxes Act 1988 as "a loan made . . . where . . . his employer was . . . a close company, and . . . the loan was made by a person having a material interest in that close company . . ."

The fact that the loan is in fact "made in the normal course of . . . domestic, family or personal relationships" (to quote from sub-paragraph 5 of the paragraph in question) does not exempt your son from the penal tax charge; it would exempt him if you conducted the business personally, as a sole trader or in partnership.

You should consult the company's accountant or auditor before proceeding.

No change to account

MY WIFE and I have had for some years a joint bank account into which all dividends, retirement pensions etc are paid, and from which all living expenses are drawn. Either of us can draw on this account with only one signature.

Our shares are all individually owned and thus dividend warrants are either in my wife's name or mine. None are in joint ownership.

After the advent of independent taxation in April 1990, can we continue with this convenient joint bank account without penalty, or will we have to open individual bank accounts in order to keep separate our approximately equal incomes?

■ There is no need to disturb the current arrangements, provided that (for example) your wife's shareholdings were not bought with money which you had given her. If, on the other hand, you have made gifts of cash or shares etc to your wife, then section 109 of the Finance Act 1989 makes it prudent for your wife to have a separate account (to which you have no access). If you are in doubt, you may wish to consult a local solicitor or accountant as to your position under section 674A of the Income and Corporation Taxes Act 1988 (which was inserted by section 109 of the Finance Act 1989).

Value of a painting

MY WIFE is a foreign national residing with me in the UK. She has recently been given an antique painting by her mother, who has never been resident in the UK.

a) Does this fact have to be declared to the Inland Revenue and what is the tax implication, if any?

b) If, at some point in the future, the painting is sold, is the profit (less commission) subject to capital gains tax? c) How would it be valued retroactively?

■ It is a pity that you do not say whether your wife is domiciled in England and Wales (or in Scotland or in Northern Ireland) under English (or Scots) law, or whether you were married before 1974 (when the Domicile and Matrimonial Proceedings Act came into force). This point affects the answer to your second question.

a) No – unless details of assets acquired are asked for.

b) Yes, unless the sale price (before deduction of commission, etc) is less than £6,001. If your wife is domiciled outside the UK, eg in the country in which her father was domiciled at the time of her birth, the painting may escape CGT if it is outside the UK at the time it is sold. The law of domicile may well change soon, in accordance with the recommendations of the Law Commissions. If your wife is uncertain of her domicile under English law, she may wish to consult a solicitor.

c) Since your wife will presumably be having the painting valued for insurance purposes, she could have it valued for capital gains tax purposes at the same time. She should ask the valuer to give an itemised bill, as the cost of the valuation for CGT purposes (only) will be deductible in calculating the chargeable gain.

We cannot be more specific because you have not given us any idea of the painting's value: if its prospective sale price (before commission) is only a little over £6,000, the marginal tax rate may be over 75 per cent effectively – with no relief for valuation costs or indexation – under section 128 (2) of the Capital Gains Tax Act 1979, as amended by section 123 of the Finance Act 1989.

Buyers and cellars

I LIVE in a block of nine flats, the result of a conversion two years ago. Each flat owns a 125-year leasehold. Recently we were issued a planning application notice from the council referring to a proposal to convert our (presently uninhabitable) cellar into two self-contained flats with attached studios. The applicant declared himself to be the owner of the property, previously unbeknown to us all.

We have since discovered that the freehold of the property was sold without our knowledge and, following a law introduced last year, we are now insisting on the sale reverting to the original freeholder so that we, as lessees, may have the option to purchase.

However, the basement appears to have been sold as a separate entity without any attached planning permission two days prior to the selling of the original freehold. Is there any way in which we could pre-empt the selling of the basement as a separate entity? According to the local planning officer the basement was never mentioned in the original conversion plans, and if it had been included the council would certainly have rejected the proposal – as indeed it has now just done.

As residents we consider that the basement should be included as part of the freehold. The applicant was involved in the original conversion, and it now appears that he had every intention of converting the cellar at a later date. If we are unable to prevent the sale of the basement, what right would we have to at least stop any planning development by the leaseholder of the basement?

■ We think that the lessees of the block will have no right in law to restrain the purchaser of the cellars from developing them if the leases of the flats make no reference at all to the cellars. You can of course make representations to the planning authority in opposition to any application for planning permission; but you cannot insist that your representations should prevail. You may be able to find a way to impede the proposed development if it involves interfering with any easements demised to the lessees.

Tax bill on trust benefit

I AM A beneficiary – one of five – in a long-standing trust brought about by an intestacy. The life tenant has now died and the sole remaining asset is the family house, which she occupied up to her death with one of the beneficiaries, who now wishes to purchase this property. The latter event appears likely to give rise to a Capital Gains Tax liability. Could you tell me:

a) Will the CGT assessment be raised by the Inland Revenue directly on the trust (per the trustees); or,

b) Can the five beneficiaries have their respective portions of the chargeable gain assessed on each of them personally?

■ The trustees' solicitors will be able to clarify the tax position from their knowledge of the precise facts, figures and dates, but it appears unlikely that there is any significant CGT problem (by virtue of section 104 of the Capital Gains Tax Act 1979, in conjunction with section 56 of that Act).

MINDING YOUR OWN BUSINESS

Success is a one-woman business. Roy Hodson meets her

In the beginning was the word

WHAT DO you need to make a living from writing? In theory, you can become a novelist, an ace free-lance journalist or a columnist syndicated internationally with nothing more than an old typewriter, endless cups of coffee and a way with words. No doubt there are a few budding literary geniuses even now writing great works in garrets.

In the world populated by ordinary people, though, some workaday management skills are needed to turn a flair for writing into a profitable small business. A properly-organised writing service providing articles, publicity material, leaflets, brochures and company reports can, however, be a sound venture. This has been discovered by a good many journalists in recent years since the diaspora of British national newspapers from Fleet Street.

Rather to her own surprise, Jessica Alexander, a former trade magazine journalist, finds herself with an annual fee income of £45,000 just two years after setting up her one-woman business. She did, in fact, follow the "garret" tendency at the beginning and worked for a while from her bedroom in her parents' home using a typewriter bought from her father's office for £20. But she put matters onto a professional footing swiftly.

The business is called By Words and she runs it in strict accordance with all the ground rules of management, accountancy and forward planning that the text-books recommend.

Alexander, 30, drives every morning from her Tooting Bec flat in south London to an office in the Battersea Business Centre which she shares with a public relations and design firm. Although she could do most of her writing at home, she believes in the discipline of "going to work."

Her capital equipment is half the office furniture (she has made a will leaving it to her co-tenant) and an Amstrad personal computer; this cost her £449 (plus VAT) and she has been known to write 15,000 words a week on it. Her car, bought with a £6,000 bank loan, is used partly for business. Her outgoings are comparatively small. Overall costs are about £12,000 a year, including rent and car-running expenses, and she pays £100 a month into pension and sickness benefit schemes.

Alexander graduated from London University 10 years ago with a degree in English literature. Her experience in trade journalism came mostly from the magazine of the furniture industry, *The Cabinet Maker*, where she became associate editor in charge of features.

British trade journalism has a reputation for being tough, accurate and detailed and the sector has a wider spread of specialist magazines than any other nation. Alexander learned the writing trade thoroughly during her apprenticeship: reporting, feature writing, page make-up, commissioning material, handling photographs and, most important, how to turn technical jargon into everyday language.

The contacts she made served her well when she decided to become a free-lance. She secured an immediate contract to handle publicity and press relations for the National Bed Federation, which represents manufacturers. That pays £14,500 a year and takes around three days of her working week. "Without that income as a sheet anchor, I doubt whether I would have had the nerve to start working for myself," she says.

From the start she put aside time for marketing, as she realised that work would not flow-in automatically. She cultivated all her corporate and magazine contacts by letter and telephone and still keeps them "warm."

There is, however, an upper limit to her earning capacity at normal editorial rates: probably around £50,000 to £60,000 a year – and that would mean putting in a tough six-day week. Payments for articles vary considerably. Even now, with her experience and reputation, she cannot command much beyond £200 per thousand words from the magazines. Daily newspapers and some of the "glossy" publications pay better, but they are much more erratic in their requirements.

Alexander believes her best route to expansion, while staying within editorial services, will be to produce "in-house" newspapers for companies. Such business would enable her to employ staff and she would take on a new role as managing editor.

☐ *By Words, 87 Battersea Business Centre, 103 Lavender Hill, London SW11 5QL (tel. 01-924-3492).*

Ashley Ashwood

Jessica Alexander: income of £45,000 after only two years

Dr Frank Roberts: charges £12,000 a litre

Out of the biological soup

PLUCKING precisely the ingredient you need from the soup of proteins brewed in most biological fermentations is a rare skill of its own. Every successful distiller of moonshine has recognised this. So has Dr Frank Roberts – to his profit as an industrial chemist. He has used his knowledge of bio-technology and his flair for market research to turn a British university discovery into a new kind of filtration material selling for £12,000 a litre.

Roberts makes Prosep-A, as his filtration medium is called, in a small factory-cum-laboratory in Consett, County Durham, with a staff of just 10. Sales this financial year will exceed £250,000 and "we're well on target for half a million next year."

Roberts, 43, read bio-chemistry at Newcastle University, where he gained a PhD, followed by post-doctoral research in chemistry at Glasgow University. In 1981, he was invited to set up a Cambridge offshoot of a US bio-technology firm called Bethesda Research Laboratories, selling highly-purified bio-reagents to research laboratories. "They asked me to join them because I told them what they were doing wrong," he says.

Roberts ran BRL for four years and then launched out on his own with Protein Separations Ltd, a collaboration with Thomas Swan, a small Consett-based chemicals company. He saw the opportunity – "and, more important, got the timing of the technology" – while visiting bio-laboratories for BRL. What he spotted was a separation technique discovered by Surrey University for purifying anti-bodies – reagents of fast-growing interest in medical science. It is called affinity absorption: the idea of forming a temporary chemical bond between the filter and the particular substance to be separated.

In February 1987, he persuaded a venture capital investor, Alta Berkeley – which specialises in health care – to put up £500,000. But not all at once, said Alta Berkeley. The first tranche was £125,000, partly for "market-led research" to answer several questions.

One was to demonstrate that the technology could be developed into a product (this led to Prosep-A). Another was to determine if there would be a market for this product, and how soon. (Here, Alta Berkeley asked Roberts for documentary evidence from potential customers. That was a tough challenge that he tackled himself; he provided the proof within six months).

Simultaneously, the opportunity arose for him to acquire a local bio-technology venture called Bioprocessing Ltd, which had foundered when trying to raise more finance. It offered him what he calls "instant laboratories." Within a year he patented Prosep-A, a porous column of glass which can be "tuned" (through clever chemistry) to separate a specific protein from a soup by attaching particular monoclonal anti-bodies to the glass.

The chemistry belongs to Surrey University. Roberts repays the dons with a contract that helps to fund further research for the next three years. Meanwhile, he is drafting a corporate plan to try to raise a further £1.5m to pursue one or two other novel bio-technologies he says he has found in his travels.

☐ *Bioprocessing, Number One Industrial Estate, Consett, Co. Durham DH8 6TJ (tel. 0207-590-565).*

David Fishlock

Paul Tapscott provides a key tip

Make your money earn its keep

WHATEVER your reasons for starting a business – to exploit a skill, develop an idea, be your own boss, even to make a fortune – its life expectancy will be short unless it earns a profit.

Although this might seem obvious, surprisingly many people fail to consider it carefully enough, particularly in relation to what they could earn by putting their capital in the bank and staying at home.

Its significance is important in several ways. Most important, profit figures show creditors and bankers at a glance that the firm is viable, so giving them confidence. Profit also provides cash for normal expansion and, of course, an improved standard of living for the owner. But what level of profit is appropriate and how is it to be achieved?

Starting capital must provide enough cash to establish, equip and operate the business. If you invest with a building society, a bank or the stock market, you might now earn up to 14 per cent (gross) without personal effort and with little risk of capital loss. Interest will be received regularly and you can spend it if you wish.

If you borrow to finance a young business, however, a bank will charge close to 20 per cent and you will be risking your own savings. So what rate of return should you expect after deducting all expenses, including your own salary? In present circumstances, surely it is reasonable to aim for at least 30 per cent on the capital invested.

Whatever rate of return you select, though, it must be translated into daily operations. That will require an understanding of how a business earns its return on the capital invested in it.

Any business has two crucial financial relationships: the net profit margin on sales and the ratio of sales to the capital employed. The return on capital is the multiplication of those two factors.

Take a public house. It might expect to have a profit margin of 20 per cent. If annual sales were 1.5 times the capital investment, the return on capital invested would be 30 per cent.

Annual sales	£300,000 (100%)
Total expenses (incl. own salary)	£240,000
Profit	£60,000 (20%)
Capital employed	£200,000
Capital turned over in sales	£300,000 ÷ £200,000 (1.5 times)

The return on capital employed will be the profit margin percentage (20 per cent) mutiplied by the rate of capital turnover (1.5 times). Twenty per cent × 1½ = 30 per cent.

In practice, profit margins on sales vary widely but are very similar for identical types of business. This can provide a useful check on the performance of your own venture.

Profit margins normally will be low for wholesalers and high-volume firms but much higher for businesses requiring a heavy investment for each £1 of annual sales. Accepting a target figure for return on capital is all-important for achieving a successful operation.

Then there is the matter of new assets. It is always pleasing to have new things. But do they have to be new? And what would be the effect of leasing equipment instead of buying it outright. Or buying it on hire purchase.

My point is that constant planning to get the target on capital employed right is an essential act of financial management. Many companies earn returns in excess of the 30 per cent target – but a greater number fall far short year by year.

In some cases, the funds would be invested more profitably in a building society. That must be wrong.

☐ *Paul Tapscott is chairman of the Haycraft Small Business Centre, Southbank House, Black Prince Road, London SE1 7SJ (tel. 01-587-0569).*

The Active Citizen

ONE OF the themes of the Thatcher years has been that the state should do less and the citizen more, both for himself and for others.

Even if the public expenditure record sometimes suggests otherwise, the Prime Minister believes it is not government's job to provide more than a safety net. The state, she says, should not be seen as a cushion and public welfare should not be regarded as an entitlement. Her hoped-for return to "Victorian values" implies that better-off individuals should devote more of their time and money to the worse off – that wealth, success and privilege carry their own responsibilities.

Just as the poor should be discouraged from welfare-dependency, so the rich, whose taxes have been sharply reduced, should be discouraged from thinking that their social obligation ends with the Inland Revenue.

Voluntary work and private charity cannot supply more than a fraction of the community's needs. But it is argued that the enthusiasm of volunteers makes their effort more effective and their money more efficient than anything delivered by state institutions. It is the social equivalent of "privatisation."

There is no almost no limit to the type of activity the modern altruist can choose. Even the country's defence depends to some extent on volunteers.

What they have in common is that they are people who do more than write out the occasional cheque or toss a coin into a beggar's cap. Some have rolled up their sleeves to work directly with the people they are trying to help, either independently or through schemes run by their employer. Others may be involved in raising large sums of money.

Whatever their motivation – and sometimes they cannot explain it themselves – they are people who do more than is strictly required of them. Already in short supply, they are likely to become even more so in the Nineties as more public institutions turn to the private sector for help.

Today the Weekend FT begins an occasional series describing some of the people who have come to be called . . . Active Citizens.

CT

Lydia van der Meer

Paul Smith: sparing time for society's victims

The road from Annabel's

Christian Tyler meets a senior manager with a social conscience

PAUL SMITH, a senior manager earning more than £100,000 a year, decided to take up charitable work after a night out at Annabel's, the smart London club.

Like many people who give up their free time for others, Smith does not like talking about it. He is afraid of sounding sanctimonious. But the reason why people do things is often more interesting than what they do. So I persuaded him to tell me how he arrived at the actual moment of decision.

"I was living in Redcliffe Square in those days, near Earl's Court. I had just got home from a very glitzy night out – a first night at the theatre and then Annabel's. I picked up the local paper and read about the suicide rate. Earl's Court had the highest suicide rate in the country then – as well as child prostitution, drugs . . . everything.

"I thought 'Jesus Christ, what do *I* ever do for anyone?' I work hard – very hard – and I play. I had thought before I ought to do something, but never got round to it."

The next day he went to the borough's volunteer bureau and was soon running a "drop-in" club for people with histories of mental illness. Working for the mental health charity MIND led to counselling for the Samaritans and that, in turn, led to helping men who are dying of AIDS.

During the day he works for Marks & Spencer. He puts in about 11 hours daily at the company's head office in Baker Street as director of the division that chooses sites and designs, builds and equips stores. He controls a capital budget of £200m a year and a revenue "spend" of another £160m. He drives to and from his Kensington home in a Jaguar Sovereign.

His Friday night job at the MIND coffee-shop lasted for three years. Today he is chairman of the charity's Kensington and Chelsea branch, a committee job he tried at first to avoid. It means one working lunch a month, a finance meeting every six to eight weeks, a policy discussion four times a year and intermittent visits to four local projects.

Then a friend introduced him to the Samaritans. That meant ten weeks' training at night classes ("the most thorough training I have experienced") followed by a year's probation. He has been working a four-hour shift on Saturday mornings. He tried night shifts for six months but could not cope. "I was too old to go a whole night without sleep. It was wiping me out."

Just over two years ago, the wife of a fellow M&S director asked him if he would be interested in a very different type of counselling in which she was expert – not people with mental illness or personal crises, but people who had developed AIDS and were certain to die.

So now he provides what is called "home support" for the London Lighthouse, a hospice in Ladbroke Grove. He takes sufferers out for a drink or a meal, or puts up their bookshelves for them. It is not a big workload and can be done at his convenience. He has deliberately avoided one-to-one responsibility for an AIDS victim because, he explained, the demands of his job would inevitably result in him occasionally letting that person down.

"I must admit I was intrigued by the challenge," Smith said. "There was a total lack of understanding about AIDS. And I suppose, having a young daughter myself, I was aware of the danger for young people. Did you know that, worldwide, more women than men have it?"

People do voluntary work partly for themselves, according to Paul Smith. "Yes, they are moved and want to help. But they get something out of it as well. Some actually get too much out of it, forgetting they are there mainly to help others."

As it happens, Smith works for a company that takes its social obligations very seriously. He thinks M&S genuinely cares, but he prefers to work solo. Although he admires people who organise or raise funds for charity, he is by temperament and background one of those who likes to roll up his sleeves and do it himself. Amicably separated from his wife, he perhaps has the time that others do not. But he says he would have been goaded into doing something by his wife even if the family was living together.

His motivation owes something to his own upbringing in a poor, working class, but very close Irish Catholic family in Bristol and something also to his degree course in psychology.

"I always felt very privileged because I felt cared about", he said. He was the first member of the family to go to a private school (a Catholic college in Bristol) and the first to go to university (Manchester). His father, an aircraft mechanic, made considerable sacrifices: he even sold the car he had saved for all his life to pay for his son's education.

So Paul Smith feels he is really only paying back what he owes. He thinks the titled ladies on the charity committees probably feel much the same. "It's very easy to knock them. But they do something I wouldn't touch with a bargepole – I can't think of anything worse than having to organise a charity ball for example – and they produce a lot of money for charity."

Some of Margaret Thatcher's views on the role of the state and the individual he finds too extreme. Yet he agrees that people have a responsibility. And the more privileged they are, the greater that responsibility is. They should not use the welfare state as an excuse for doing nothing themselves.

"Just paying taxes is a cop-out", he said. The amount of time each person can give will depend on their work and their domestic lives, he agreed. "But I don't believe there is a family in the country that cannot spare an hour a week."

Old faces wearing brand-new skins

MIDDAY on a late-January Saturday in the lobby of the Continental Hotel, Timisoara, in south-west Romania. Three strained politicians chain-smoke in a corner. Highlighted against a garish dollar sign imprinted on the duty-free store (hard currency only), a group of shifty Polish "businessmen" confer uneasily. Newly-arrived and down-jacketed German aid workers try in vain to communicate with the stony-faced reception. An unshaven soldier dozes fitfully in the folds of an impenetrable velvet mantle which defies entry to the most slender ray of light.

Enter Corinna, arms waving, blond hair streaming, eyes ablaze. "Have I something to show you!" Not even the jarring, fake-American accent could mask her excitement. Coquettishly, she brandished a little mottled booklet before us. Dan and Silviu, fellow-interpreters, ran to embrace her. Corinna Popovici, 27-year-old veteran of street battles, witness of hideous exhumations, founder of revolutionary committees, was in tears. "It's a dream. I'm free to go." She jumped up and down, chattering like a school-girl, breaking off only to whisper to her prized possession, a little squirrel puppet, the gift of a grateful French journalist.

Silviu took us to the Restaurant Boulevard to celebrate. On the corner of the ornate Piata Opera, it masquerades behind a smoke-screen of shattered glass and thick grey curtains. Dan and Corinna had never been there. I blinked. The cream of Timisoara society was out to lunch. Sleek, well-fed young men lounged contentedly with their garish partners, beckoning the immaculate waiters and ordering Romanian champagne. A few couples gyrated slowly to the languid *strains of Piaf.*

We ate starchily but well; the plates were full. I ventured "coffee." My Romanian companion laughed: "Vino. luteles – of course." Corinna explained: "Now he says 'of course.' Last month, it was 'of course not'." Dan smiled wryly. "Old faces in new skins."

After lunch I wanted to make a phone call, so Silviu took me shopping. First stop, at my request, was the flagship of the Timisoara shopping precinct, the Bega, a crumbling concrete and glass monstrosity squatting in the main street and oozing gloom and disappointment like its namesake, the local river.

We joined the human funnel inside. The crowd streamed to the far end of the vast food hall where two static queues stood waiting, silently, patiently, shivering slightly while a weary butcher dispensed slabs of meat. I was left alone in a maze of deserted aisles. Thousands of identical jars, pickled pork and puréed cabbage and other indescribables, stared down like the specimens in a pathology lab. The two queues had merged; the butcher had vanished.

I remembered my first

DESPATCHES
• Timisoara •

Romanian joke: A sow has two piglets. The farmer, anxious to please, tells the overseer there are six. The overseer tells the government 12. The message comes back: "We'll export two and you keep the rest."

The shopping tide was still flowing. For some reason, everyone else was clutching a blue metal urn, but I must have missed something: I was empty-handed. Dutifully, I followed Silviu to his recommended venue, the duty-free store.

The previous week, I had waited five hours for a wrong number. There are only three international lines to Timisoara and the switchboard closes at eight. This time, courtesy of Silviu, I went round the back. Silviu knows the guard.

Irena, grande dame of the Timisoara switchboard, ushered us in like time-honoured guests. Silviu, as to the manor born, kissed her proffered hand while slipping an anonymous white bag into her other. Irena, still clutching her "little luxuries" – chocolate, coffee and soap – showed us to the international switchboard, nerve centre of the Timisoara telephone system. Twenty minutes and three international calls later, I emerged in need of air.

In the Roses Park, three old men – fine-boned, sallow Magyars – pulled contentedly from a bottle of Tsika, savouring the final moments of sunlight. One saw my camera: "Photograph the crows," he said, turning his back. Two fresh-faced soldiers, slapping their legs against the cold, asked for a cigarette. Only last week they were searching the same park after rumours swept the city of yet more caches of Securitate victims.

Distant chants disturbed the peace. Once more, a crowd of drifters had gathered outside the Committee headquarters. The whiff of alcohol was in the air. A few disconsolate soldiers manned the steps, but no one checked my papers. In the old Communist Party conference hall, the Committee, 51-strong, was in emergency session. Half-way down the table one old peasant, an erstwhile fiery freedom fighter, was snoring quietly.

A vote was taken to determine the duration of the meeting. I abstained. The votes were counted – 31. Angry voices competed for an audience. "Where are the others? Who are the others?" A bemused major, officiating, read out three conflicting lists. The absentees were banned. New people were to be co-opted. Again, I declined the opportunity and another filibuster got under way. Bowing, I left the government to its business.

Downstairs, the same young soldiers were defying entrance to an impressive French camera crew. I waved them through. The soldiers parted.

Outside, the trams were back in action. Mist was descending and the crowds were dispersing. Candles flickered dimly over the martyrs' memorials. A few stooping figures could be discerned still arranging flowers. A group of men ran past, chanting: "Death for death. No work." I tightened my jacket and quickened my step.

Back at my temporary home in Silviu's flat, Petar, an intense Romanian journalist, was handing round photos of the revolution. Black and white, blurred, they seemed from another world.

Alec Russell

Fishing

A barbarian speaks

THERE IS, I would suggest, one central, inescapable, uncomfortable fact common to hunting, shooting and fishing: they involve causing terror, injury and death to innocent creatures, and they are therefore cruel.

Those who love these sports might do well to consider more carefully the ethical questions arising from them. For the hunting fraternity to preach about the need to control numbers of foxes is hooey. It is the most inefficient way of killing foxes imaginable. Why cannot they admit that they do it because it is tremendous fun, and that this outweighs the suffering of the fox?

Those who shoot are usually more open about their motives, although there is more than a touch of the disingenuous about the way some seek to represent themselves as the "true conservationists." The problem with shooting's public image arises from its invasion by gross commercial interests. The slaughter of huge flocks of hand-reared, corn-stuffed, half-witted pheasants by gun-toting slickers has brought the sport into something approaching disrepute.

Fishing attracts less obloquy that other field sports, partly because it is quieter and less public, and partly because the cold bloodedness of the quarry is less sympathetic to the campaigning spirit. Nevertheless, ethical issues do arise, and anglers should think clearly about them.

My own position is simple, although I fear some may find it disgraceful: I am sure that fish experience extreme discomfort and fear when hooked and caught, and probably a degree of pain. The only way to avoid inflicting this suffering is to give up fishing. This I will not do. To put it crudely, my enjoyment is more important to me than the fish's misery.

If that makes me a barbarian, so be it. But I defend myself against the charge of being a *sadistic* barbarian. I will not subject fish to unnecessary suffering and death. In practice, this means that I will only kill fish that I (or friends) wish to eat. Since most trout are, to my taste, not worth the trouble, I return the majority to the water alive.

This also makes ethical demands. A fish dragged from the water, manhandled and

thrown back is likely to die from internal injury and trauma. Only if it is treated with the utmost care will it have a reasonable chance of survival. This means playing it out as quickly as possible, not netting it or weighing it, but instead removing the hook (much easier if barbless) while it is still in the water. American anglers have made a creed of this practice, known as "catch and release." In the US, to admit in print that you occasionally kill and eat a trout is to risk vilification.

In Britain, too, some fishermen have strange ideas about killing fish. I was once violently abused by an extraordinary busybody who objected to my banging a pike over the head in preparation for turning it into fishcakes. No argument could persuade him that I had not been guilty of an act of pure evil.

Although there is much that is sound in the philosophy of catch and release, I hate the intolerant self righteousness of some of its evangelists. I would defend to the death the angler's right to kill for the pot. But there must be sense, and restraint.

For example, it is not easy to defend as an extreme case the catching and killing by four anglers of 96 salmon in a day on the Oykel last summer. They cannot possibly have eaten 24 salmon apiece, and so it must be presumed that many of the fish were sold. In such circumstances, the salmon angling lobby's denunciations of the depredations of commercial netsmen sound more than a little hollow.

The joy of fishing does not lie in having a corpse on the bank. It lies in the deceiving of *the quarry*, and the subjugating of it. If fishing has a moral edge over other field sports, it is that death is not inseparable from success. We have the choice: to kill or to liberate, and we should feel obliged to exercise the choice carefully.

In 30 years of angling I have killed and eaten a good few fish, and returned alive many more. I have been guilty on occasions – through ignorance, clumsiness and stupidity – of needless cruelty. I hope I have learned to be a more ethical angler. I am happy to explain why I fish. My hope is that *I will not* have to apologise for it.

Tom Fort

Genius of the Place

The home of the laughing outsider

IT IS in the nature of localised hero cults that the myths grow richer as one gets closer to the place of burial. So there is a fair chance that if you are prepared to stand the locals of Wool or Moreton a couple of beers, they will tell you of the international conspiracy that devised the death of Lawrence (Lawrence of Arabia): of the large black limousine that surreptitiously slipped away from the place where his motorbike crashed, and of his special relationship with Churchill, and his projected meeting with Hitler.

Lawrence's succession of assumed names, and his insistence upon staying in the armed forces, will be woven into a romance worthy of his admirer John Buchan. Such are the gifts of the Dorsetshire yarners, who must encounter plenty of gullible pilgrims to Lawrence's home.

The object of pilgrimage is Clouds Hill, a small and easily-missed cottage, closeted from view by thickets of holly and rhododendron. The surrounding heathland is rutted by tank manoeuvres from nearby Bovington Camp (where Lawrence served as a private in the Tank Corps), and holds trespassers at bay with the threat of unexploded shells.

Carved in the lintel above the entrance are the Greek words for the sentiment, "Who gives a damn?" You are not meant to give a damn about being at Clouds Hill. Outwardly it may resemble a typically English place for rustication; inwardly, it is the temporary shelter of a weary nomad. So do not expect it to be cluttered with things. Books, scant furniture, a sleeping bag and a trumpeting gramophone player; plus some Middle Eastern and military memorabilia.

You may circulate Clouds Hill with nods of approval: this is the asceticism you would expect of the man who was Lawrence of Arabia, who renounced bodily comforts, money and even the premium of fame.

It is true: Lawrence did not care much for possessions. But Clouds Hill need not have been quite as bare as it remains. I feel bound to pass on an anecdote once told to me by my former teacher at Cambridge, Robert Cook. As a young lecturer he was once staying with A.W. Lawrence, T.E.'s younger brother. A.W. Lawrence was Professor of Classical Archaeology at Cambridge after the last war, and Robert Cook was a later incumbent of the same chair.

Professor Cook told me how one day, A.W.'s daughter was playing in the box-room of the Lawrence home; in the box room was a trunk containing the wartime gear of T.E. Lawrence – robes, weapons and so on. She came downstairs waving a pistol, and discharged some bullets into the ceiling: which so unnerved the gentle A.W. that he took the pistol straight to the police and consigned the trunk and its contents to a local jumble sale.

Robert Cook enjoys telling this story: as he points out, A.W. Lawrence was by then fairly tired of the fetish made of his brother. There will be enthusiasts who could scream at the thought of an Arab head-dress once worn by T.E.L. being used to polish Aunt Harriet's brass candlesticks; but there ought also to be those who recognise a fraternal act of piety when it happens.

The latest biography of T.E. Lawrence, by Jeremy Wilson, is out: its style is not unduly prolix, but it is still a massive book. Yet, although it claims "authorisation," one has the sense that it will not be the last word. This despite the millions of words already generated indirectly by T.E. Lawrence. A.W. Lawrence was right to throw out the effects of his brother: the cult has been nourished quite enough without them.

So it is that Clouds Hill is bare. It is nevertheless an important place. It conveys an essential side of *Lawrence* (an admitted man of many sides), a side revealed by one of the concluding episodes of *The Seven Pillars of Wisdom.*

A British medical major comes across Lawrence, native robes and all, in the hospital for Turkish prisoners at Damascus; asks him if he is in charge, and reproaches him for the squalor evident. Lawrence, at the end of his campaign, and in the midst of burying bodies and trying to get the place straight, records how he "cackled out . . . with the wild laughter of strain." Shocked, the major slaps him across the face: and Lawrence can only laugh and laugh. He was always above and outside it all.

T.E. Lawrence: Arab headwear was consigned to a jumble sale

Clouds Hill is the place for the laughing outsider, and Lawrence escaped to it whenever he could. In that glorious Boy's Own prose of his, he calls the squaddies with whom he was billeted "the fellows": but one reason why so many good letters of Lawrence have survived is that when "the fellows" went out Lawrence stayed in and wrote to his friends – Mr and Mrs *Bernard Shaw, E.M. Forster, et al.* What sort of fellowship could he have shared with soldiers, whose off-duty preoccupations were drinking pints, causing punch-ups and conquering women? To a chaste and gentle teetotaller, these were never "fellows." Even the ranks were no home for Lawrence.

But a few Service chums were made, and they came along to Clouds Hill to be blasted with the latest Elgar symphony. Others assisted Lawrence's mortification of his flesh: and at Clouds Hill we may still gaze upon the large leather-bound divan upon which the flagellation of St. Lawrence of Arabia took place. But do not make too much of it. Do not give a damn about what is in Clouds Hill.

You may go on to visit the grave, in Moreton parish churchyard; or the saint's effigy by Eric Kennington, in St. Martin's Church at Wareham. Above the relics stands the commemoration: the example of a man above us, holier than us, in every sense worthy of his adoption by the National Trust.

■ *Clouds Hill is now run by the* National Trust. It is open Wednesday to Friday, Sunday and Bank Holiday Monday, 2pm to 5pm (April to September) and Sunday 1pm to 4pm (October to March). Lawrence recommended guests to try the Black Bear, in Wool: the recommendation is still valid.

Nigel Spivey

GARDENING/MOTORING

Cheating nature with plants for junglies

***Robin Lane Fox** on early spring in the conservatory*

PERHAPS NATURE is taking its revenge with the recent high winds doing their best to blow the glass of our greenhouses and conservatories inside out. We have been cheating late winter and early spring with a high season gardening under glass, in greenhouses, conservatories and even in cold frames which are sheltering early bulbs.

On a clear, cold day, when the sun is bright and the wind is bitter, owners of conservatories congratulate themselves on their wisdom. They can sit among paper-white narcissi, scented jasmines and early camellias and enjoy a sun and scent without chill. They should also be enjoying cymbidium orchids in February if they have remembered to stand them in shade outdoors during the summer and feed them when they show buds.

For years, I coveted a yellow jasmine in February. One particular form provides a spectacular sight in winter in the Oxford Botanic Gardens. Its large semi-double yellow flowers are sprawling over the roof of a cool greenhouse and astonishing visitors with their colour and shape. We all know the scented white form which is sold as a pot-plant and grows furiously in future years. Its bigger yellow cousin, Jasminum mesnyi, is spectacular in a different way. Its charms are its flowers, not its scent: it is a brilliant luxury from China, but it is not a difficult plant if kept free of frost.

In a conservatory it is vigorous, but I divide conservatory-owners into "junglies" and "sofa and chair-freaks." Junglies have planned for a dense effect of plants and do not regard the conservatory as a another room under glass.

Mesnyi will eventually grow over your conservatory's roof above the wicker cane furniture and glazed pots. This year, it is listed for the first time by Burncoose Nurseries, Gwennap, Redruth, Cornwall, but is also in the regular list of Hilliers, Scotts or the admirable Starborough Nurseries, Marsh Green, Edenbridge, Kent. If you can find it, bag it.

Buying and bagging are gardeners' natural habits; but please note the cautious reference to listings of this yellow jasmine and do not reckon on immediate stock in every case. Unusual plants are often rare plants and at this point in a supplier's year they may not be still available on demand.

Two weeks ago, I wrote about the winter iris, mentioned its less usual forms and referred to the grower who is currently listed in *The Plant Finder*, Roger Poulett in Sussex. Winter irises touch a chord in FT readers' hearts: scores of you have applied to him, but Poulett's stocks of particular varieties have been fully booked since September. As a grower, he is unable to meet an unexpected demand and has asked me to apologise to would-be customers.

However, winter iris forms

Walter Butt, Mary Barnard, lazica and the white stylosa are regularly supplied each autumn by Avon Bulbs, Upper Westwood, Bradford on Avon, Wiltshire and by Broadleigh Gardens, Bishops Hull, Taunton, Somerset. This season's supplies are running low (the rare white form is sold out) but these major nurseries are a way of getting a new winter iris for the planting-season next autumn.

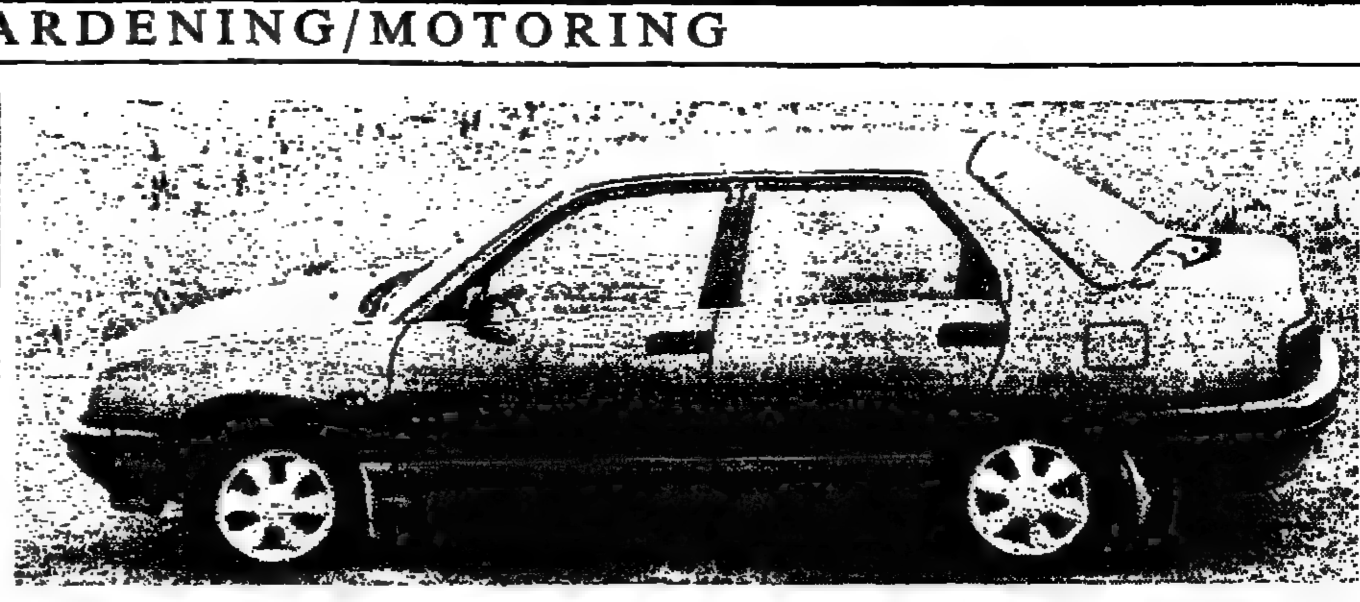
If you want to grow the yellow jasmine, what else belongs with it? To my mind, it needs a good mimosa for company. Mimosas have scent, whereas the jasmine has brilliant flowers; mimosas appear first and are a prettier combination of flower and leaf. A sprig of mimosa in January is the emblem of a gardener who has paid up and gone to glass.

Their placing needs thought, however. By nature, mimosas are tree-like, a shape which sits uncomfortably with many people's idea of a room under glass. Young plants will grow up to six or seven feet in a big pot if suitably watered. They can be stood outdoors in the summer as they are nearly hardy and need no heating beyond an exclusion of frost. Indoors, they are definitely plants for junglies. Mimosas particularly like junglies who have made flower beds against the back wall of a lean-to conservatory. They fit prettily into the corners, while a yellow jasmine can be allowed to ramble between them, jungling its way up to the roof.

The problem in finding mimosa is not the supplier, but the name. You must look for it under acacia, whereas, acacia trees are listed under Robinia. The standard variety is Acacia dealbata which is widely available: Scotts of Merriott, Somerset, sell it and also list the yellow jasmine; £1.50 buys their excellent catalogue. The usual is well scented, but there are wild relations which are great fun under glass and are beginning to trickle into the trade. Burncoose list several, up to £5 for a small plant, including the rare riceana which is a favourite of mine with dark green leaves like pointed needles. Botanists have renamed it a Racosperma which will probably divide popularity.

Up in Clwyd, Celyn Vale Nurseries, Carrog, Corwen, are specialists in eucalyptus and acacias and have a range of mimosas which serious conservatory-owners ought to relish.

At a lower level, you do not have to be a jungly to find endless pleasure in a potted Daphne. Try to start off with a plant which has been thoroughly grown in a proper compost: peat-based cuttings from an importer's plastic tunnel are not so ready to settle down to life indoors. The best form, widely available, is Daphne odora, which can be clipped to shape in a manageable pot in fashion-conscious conservatories and is just opening its rose-red buds into flowers of spring's most exquisite scent. Wind or no wind, they take the edge off early February and remind you that conservatories do not have to be rare or overheated to be full of life.



IT LOOKS LIKE a four-door saloon but, when you lift the boot lid, the rear window comes up, too. The Daihatsu Applause (above) is the latest Japanese family hatchback to reach Britain.

It is a quiet, refined car powered by a 1.6-litre engine producing 105 horsepower with fuel injection, 91 horsepower with a carburettor. Prices are £9,250 and £10,250 respectively.

Power steering, electric front windows and door mirrors, tilt-adjustable steering wheel and central locking are standard on both models; the fuel-injected 16Xi has a catalytic converter. Automatic transmission, on the 16Xi only, is £700 extra. Either model can have a powered sun-roof for £520. The load space will hold four sets of golf clubs, Daihatsu says, and the rear seat back-rests fold forward or recline separately.

The 16Xi I sampled kept up with the motorway pack and felt quite spirited on country roads. Even by Japanese standards, it had light controls.

S. M.

Lancia's back — minus rust

*Durable Dedra has that touch of quality, reports **Stuart Marshall***

WITH THE benefit of hindsight, you can see that Lancia's mistake was to go for volume. Its Beta saloon, launched early in the 1970s, made many thousands of conquest sales but won an evil reputation in Britain for rust. This, however unfairly, is a cross Lancia still has to bear.

Alfa Romeo was another famous Italian maker that blotted its copybook by adopting a never-mind-the-quality, feel-the-width approach with its Alfasud. It was a great little car to drive. Until, that is, the body began to fall apart.

That was years ago, though, and things have changed. Both firms, then independent, are now part of the vast Fiat organisation.

Alfa has climbed out of the pit. In 1989, it sold 4,111 cars in Britain, its best performance for five years. Now, Lancia is set fair to do the same.

The Dedra is the car that brings Lancia back into serious contention with quality, medium-sized rivals like the BMW 3-Series, Volvo 440 and Audi 80. It really should not rust. Every body panel exposed to the weather is made from galvanised steel. It has a six-year corrosion warranty.

The Dedra reaches the showrooms on March 1 and Lancia expects to sell 2,000 in Britain before the year's end. I sampled several versions in Spain last year, including a turbo-diesel that won't be coming here, but the right-hand drive model has only just come my way.

I rate it a car that would please many a user-chooser who wants a company car that is just a bit out of the ordinary. Equally, it could appeal to mature motorists who no longer need (or wish to pay for) large luxury cars but like the feel of quality around them.

The Dedra is a four-door saloon, a little wedge-shaped in profile, with good head-room and a large boot. This extends, hatchback-style, when the asymmetrically-split rear seat back-rest is folded down.

Three fuel-injected, four-cylinder engines, cross-mounted and driving the front wheels, are offered: a 90-horsepower, 1.6-litre; a 110 bhp, 1.8-litre; and a two-litre developing 120 horsepower.

The two largest have twin balancer shafts for smooth running at high revolutions. All use unleaded petrol.

The 2.0ie I drove sounded unfussed at a wholly unnecessary 6,000 rpm — unnecessary because the flat torque curve means it pulls hardest at 3,300 rpm. So you can scamper up winding hills in second and third, or take them soberly (but almost as briskly) in fourth or fifth.

Top speed is said to be 124 mph (200 kmh) in the 22 mph (35 kmh) per 1,000 rpm fifth gear. At the moment, there is only a manual transmission with a light clutch and silky shift, but a four-speed automatic (the same as Volkswagen uses in the Passat) will be an extra-cost option within the year.

The Dedra has Lancia's classical good looks with efficient aerodynamics. Wind noise at speed is minimal and its motorway thirst modest — the official 75 mph (120 kmh) consumption varies between 34 mpg (8.3 l/100 km) for the 2.0ie to 38.7 mpg (7.3 l/100 km) for the 1.6ie.

The 1.8- and two-litre models have power steering that lets you know what the front wheels are doing but takes all the effort out of parking. The ride is fairly firm.

If you fancy driving exuberantly, the Dedra has the roadholding and handling to take good care of you. But ABS brakes are standard only on the costliest 2.0ie SE; they are £895 extra on the others.

The cheapest Dedra is the £10,695 1.6ie, although I would not want one because it lacks power steering. All the others are priced attractively. The 1.8ie is £11,635, the 1.8ie SE £12,665, the 2.0ie £13,300, and the 2.0ie SE (with ABS brakes) £15,395.

Even the entry model 1.6ie has alloy wheels, central locking, height-adjustable steering column and driver's seat, electric front windows and heated, power-adjusted door mirrors.

The interior epitomises quiet good taste. Everything matches. The instruments are plain and easy to read and there are warning lights galore.

The seats are shaped well and the Dedra wears its touches of rosewood trim unself-consciously.

The most controversial thing about the new car is its name. Dedra (it sounds better if you say day-dra in the Italian way) — is a made-up word with some arcane geometrical significance. Will it, I asked, harm or help the car's prospects in the UK market?

"We believe the strengths of the car will outweigh any criticism of the name," said a man from Lancia, looking me straight in the eye.

As it happens, I think he is right. But what's in a name? Call it what you will, the Dedra is an agreeable and sensibly-priced car that will add lustre to a distinguished old marque.

Bid to beat the clockers

CLOCKING — the practice of re-setting distance recorders to inflate a second-hand car's value by making it seem less-used than it really is — has reached epidemic proportions in Britain, according to *Motor Trader*, the bible of the business.

For months, it has been campaigning for government action to defeat the practice. It says about 20 per cent of cars monitored by trading standards officers have been clocked. On average, 30,000 miles have been wiped off, adding at least £750 to the car's market price.

Andrew Brown, editor of the *Trader*, says the Consumer Guarantees Bill proposed by Martyn Jones MP should include measures to protect used car buyers "from the £100m-a-year clocking con." The Automobile Association and the Institute of Trading Administration have thrown their weight behind the campaign.

Rolls Royce, however, has made certain that none of its cars is going to be clocked by a dishonest vendor. It has developed an electronic spy to keep track of the distance a vehicle has travelled and all production Rolls Royce and Bentley models, except for the handful of Phantom limousines, now are fitted with the device. Service staff world-wide have been instructed how to operate it.

Rolls Royce admits that the spy module could be by-passed if the part of the instrument cluster to which it is attached were replaced. "But we would know about it. These items are supplied only to authorised agents and they have to tell us the chassis number of the car," it said.

How can private buyers of a fairly young used car ensure they are not sold one that has been clocked? First, I would ask to see its full service history, with voucher book and garage receipts. If the seller could not produce it, I would ask for a written guarantee that the recorded mileage was genuine. If that was not forthcoming, I would look elsewhere.

S. M.

Colour for the camellias

*Deep reds and purples: **Arthur Hellyer** on hybrids with potential*

CAMELLIAS have started to flower early this year and have enjoyed the generally mild and wet weather. But these are not shrubs that enjoy having their roots submerged, and I am beginning to be concerned about the amount of water now in my soil and am doing what I can to get it moving away.

I rate camellias as outdoor, evergreen shrubs and, from the large stocks of young plants I see in garden centres I conclude that plenty of other gardeners agree with me — but I suspect that a considerable percentage of these plants spend their lives in containers or in conservatories for which they are equally well suited.

Camellias have traditionally been grown in containers since they were introduced from China more than 200 years ago. Until the 20th century, only Cornish and Channel Island gardeners seem to have thought seriously of them as outdoor plants. That is why, if you really want to see old

bushes at their magnificent best, you must visit old Cornish gardens such as those at Caerhays Castle, Trellisick, Tregrehan and Lanhydrock.

W. J. Bean, an authority on such matters, believes that it was the exceptionally severe and prolonged winter of 1928-29 that finally convinced British gardeners of the hardiness of Camellia japonica, the most widely grown kind. I remember that winter vividly, but not because it altered my opinion about the hardiness of camellias. For me, conversion came 20 years later when I made several journeys to Cornwall and was introduced to the new hybrid varieties that were being produced as a result of making crosses between old varieties and a little known Chinese species named C. saluenensis.

No-one has ever explained to me what it was that made J.C. Williams at Caerhays in Cornwall and Colonel Stephenson Clarke at Borde Hill in Sussex see possibilities in what at first sight appears a rather unspectacular plant. It has smaller leaves and flowers and thinner stems than those of *C. japonica* and probably a slightly lower level of hardiness. Maybe it was simply curiosity that led them to interbreed the two species but, if so, they were handsomely rewarded. Stephenson Clarke raised a seedling which he named Donation which is still one of the best camellias to buy. J. C. Williams produced one which he named after himself and this is also outstandingly lovely, though different.

Donation has large, fully double, deep pink flowers so fine and so numerous that there are those who call it blowsy. No-one would dream of apply so rude an adjective to J. C. Williams, which is as delicate in shape and colour as a wild rose and free flowering.

Botanists did Williams the honour of naming the whole race of hybrids between C. japonica and C. saluenensis after him which I suppose is hard luck on Colonel Stephenson Clarke, but in those early years far more of the new varieties were coming from Cornwall than from Sussex. Since then there have been some notable successes in New Zealand, Australia and America.

What has made these hybrid Williamsii camellias so popular is their speed of growth, their pleasing habit — less stiff than that of the pure japonicas — their reliability and the freedom and the ease with which they rid themselves of their faded flowers. The varieties of C. japonica tend to cling to their flowers so that, unless laborious dead-heading is carried out, bushes can look decidedly untidy as the flowering season advances. Faded flowers on the Williamsii hybrids are either blown off or can be brushed off easily by hand. *They could still do with a* greater colour range, especially some really deep reds and purples, and also a greater range of flower shapes.

Other camellia species are grown and have been used for hybridisation. Camellia reticulata was brought back from China in 1820 by an East Indian Company captain named Rawes. This was not the wild species, unknown until much later, but a Chinese variety which is known in the west as Captain Rawes. What it and others of its kind have to offer gardeners is great size of plant and flower, bushes up to 30 feet high, flowers six inches and more across. Unhappily all varieties are a little tender and so most suitable for sheltered woodland gardens or large conservatories.

A fourth species, C. sasanqua, is very popular in Japan where it grows wild, has also been much developed by gardeners. It has a fragile perfection exceeding even that of the best Williamsii hybrids, but it flowers in autumn and winter, not a sensible time to be producing rather flimsy flowers in Britain.

Now yet another species seems poised to play a part in producing new races of camellia. It is called C. chrysantha, makes a very big bush and has yellow, cup-shaped flowers. It is also said to be tender though to what degree I do not know. I expect the yellow colour to attract the plant breeders. If it could be introduced to the other races, or with pink, red, purple or white flowers, it would open up the possibility not simply of yellow camellias but also of apricots, oranges, salmons and many more shades.

"Horrible," I'm sure many will say. Maybe, but it is just what Pernet-Ducher did for roses almost exactly 100 years ago when he succeeded in crossing the Persian Yellow rose with a Hybrid Tea and opened the floodgates of colour. Some think that was a disaster, but look what it did for the rose market!

TRAVEL

Merrie England

Succour for the spirit in Shropshire's splendid isolation

***Peter Marsh** finds charms old and new in a wild county which is proud of its self sufficiency*

"COULD I have a cup of tea please?" The woman was boiling a kettle and it seemed a reasonable request. She did not oblige. Had she done so, she would have had to do the same for the several dozen other strangers who were clustering into the sitting room of her little house. That would have led to no end of problems.

Let me explain. The house was a mid-19th century cottage in the middle of an unusual outdoor museum in Shropshire. The idea of the Blists Hill Open Air Museum is to give visitors a realistic view of what life was like in the industrial West Midlands 150 years ago.

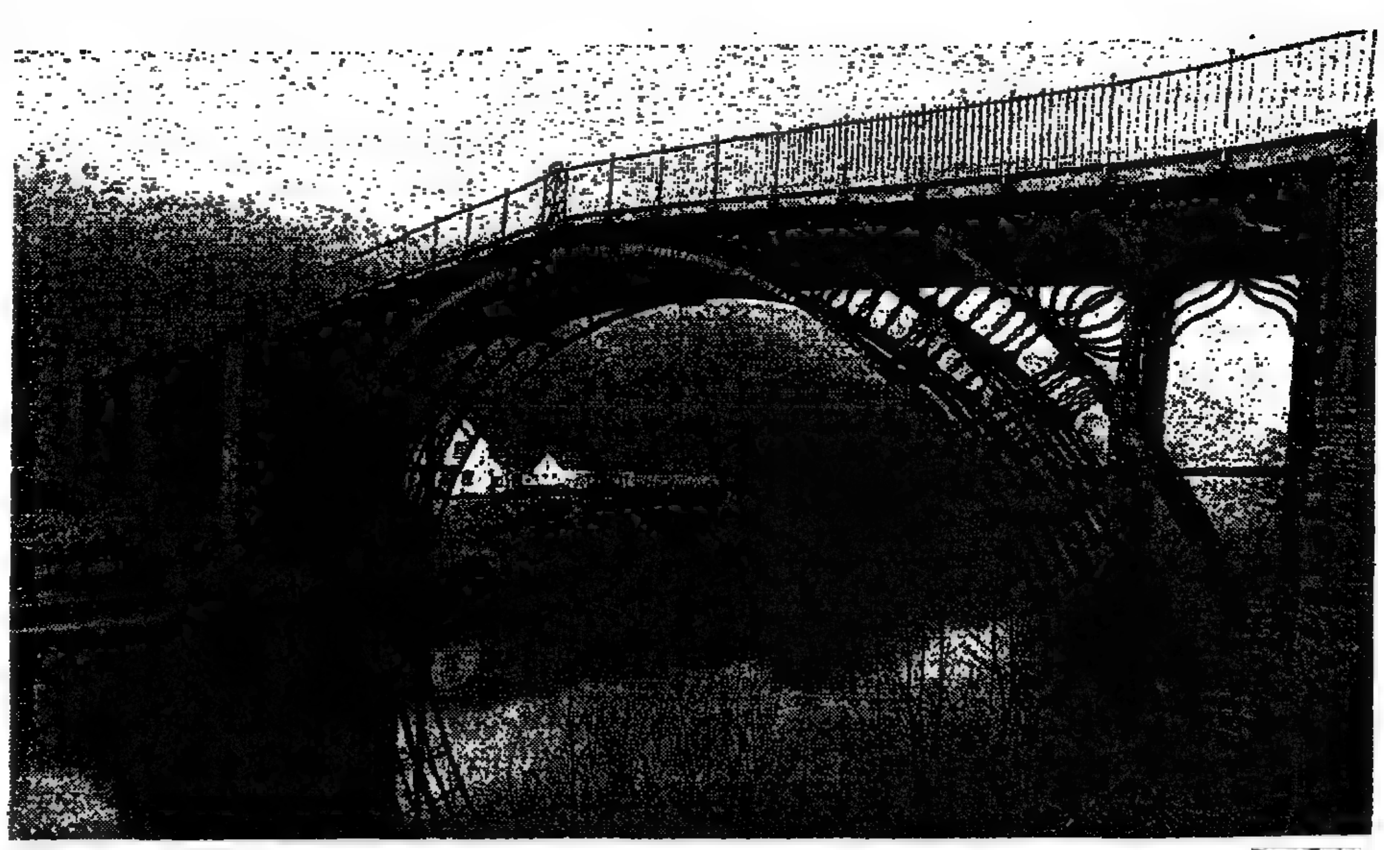
Employees of the museum, like the lady with the kettle, wander around the site dressed in 19th century garb. They make candles, smoke pipes, operate machinery and give children rides on rustic swings. They do these things with great style and apparent enjoyment, although the rules clearly preclude them from making tea for visitors.

Blists Hill, near Ironbridge, is spread over a large site close to the famous Iron Bridge across the Severn Gorge. It possesses a remarkable collection of artefacts including a mine, some blast furnaces, a saw mill, an abattoir, several shops and part of a canal.

The Blists Hill collection is among the best museums I have visited, but is not really typical of Shropshire as a whole. It is in the east of the county, only 20 to 30 miles from the Wolverhampton-Birmingham conurbation, and the feeling of the place is unambiguously urban. Much of the rest of the county, especially the area around Clun and Bishop's Castle in the south-west, is hilly and almost unbelievably wild for a place which is never much more than an hour's drive from some of the most built-up parts of Britain.

One reason for Shropshire's relative isolation from the rest of England – spiritually, if not geographically – is the lack of good road links between it and the most populous parts of the country. With Wales to the west, the Cheshire plains to the north and rural Herefordshire to the south, it is not on the way to anywhere very much. About the only people who pass through are those with a particular reason for being there.

Shropshire has little industry besides farming; despite this, or perhaps because of it, it manages to convey a feeling of self sufficiency. One place which reflects this is Bishop's Castle, which is among the many attractive small towns in the county. It was laid out by the Normans in the 12th century on a planned basis, as is demonstrated today by the rectilinear street patterns. The town has its own brewery, cattle market and fire service and boasts four churches and an excellent bookshop-cum-coffee house.



The world's first Iron Bridge, built in 1779 over the River Severn at Ironbridge, Shropshire — Roger Taylor

The Normans' prime goal in seeking to build up Bishop's Castle was probably defensive. They may have wanted to erect a sparkling new town – a medieval version of Milton Keynes – as a way to entice more people into the region and to strengthen it against the frequent incursions of the Welsh across the border a mere 10 miles away.

Memories of the fighting between the two countries are underlined by the physical presence of Offa's Dyke, a barrier of piled soil which was built 1,200 years ago to seal off England from the barbarians on the other side. Today much of its outline can still be seen, and some of the most interesting parts of its 168 mile-course are in Shropshire. The dyke is a well-trodden path for serious hikers.

If you tire of the dyke you can always try walking along the top of Long Mynd or the Stiperstones, two areas of craggy upland in the central part of Shropshire which offer magnificent views.

There are some good castles in the area, notably at Clun and Ludlow, and if you want an hour or two of complete rest and the day is warm then I suggest paying 75p to enter the gardens of the ruined priory at the pretty town of Much Wenlock. The gardeners have done wonderful things, and it is difficult to imagine a more peaceful place in which to reflect on the 1,300 years which have passed since the priory was built.

After all this tranquillity, Shrewsbury, the county town, may appear a little too bustling. On the day I was there, Shropshire's drivers had clearly felt the need to let off steam and were treating the town's narrow roads as a race-track. Despite this, the green meadows by the river are worth a visit and there is a better-than-average craft market inside a converted church.

■ **Accommodation:** many farms in Shropshire take in guests for bed, breakfast and evening meals. Some such places, even if they appear satisfactory from the outside, can turn out disasters because of their owners' insistence on being over-friendly, even to the point of sharing meal tables. I can, however, recommend the magnificently isolated New House Farm near Clun (tel: 0588-638314), where you will find a warm welcome and good and inexpensive food. The farm dogs are also extremely pleasant. Bed and breakfast costs £12 and an evening meal £6.50.

Come to the carnival, all year long

***Angela Wigglesworth** sambas her way through the old Brazilian town of Salvador*

FEBRUARY IS carnival time in Brazil, and Salvador on the north-east coast has the largest in the world. More than 500,000 people dance in the streets, though this ancient and beautiful city has something of a carnival atmosphere all through the summer as well.

Lying 13 degrees south of the equator, Salvador was founded by Portuguese settlers in 1501. From 1549 until 1763 it was the country's capital, exporting brazilwood, sugar, diamonds and gold and bringing in over 2m African slaves.

Today it is the capital of the state of Bahia and Brazil's most African city. It is also one of the most racially harmonious in the world with people living tolerantly together and combining a mixture of mysticism and Christianity in their own religion, in which African gods double up as Catholic saints.

It is useful to know one or two things before exploring Salvador. Few cars stop at traffic lights: the story goes that the lights were put up for Christmas one year and no-one remembered to take them down. There are at least three rates of exchange and the rates change every morning; the best place to do the exchanging is in a certain funeral parlour where plastic wreaths with pink, green and yellow plastic flowers hang on the walls above propped-up brown wood coffins.

Salvador is a split-level city, the lower and upper parts connected by a 72 metre-high lift that can take 118 people up or down in just a few minutes. At the top are the administrative buildings, the large colonial houses and the richly-decorated 18th century Baroque churches; at sea level are the docks, shops, banks, a bustling craft market in the old Custom's House at the water's edge, and forts that were built to repel French and Dutch invaders.

The white beaches stretch for miles. It was on one of these beside our hotel that on our first day, a national holiday, the whole place seemed to be dancing the *samba* and *lambada*, eating *acarajas* (crushed beans cooked in palm oil) and drinking milky coconut water straight from the coconut.

Salvador is full of music and relaxed people. We strolled down cobbled streets where white lace, bright dresses, pictures and tapestries hung outside tiny dark doorways; where shoe cleaners cleaned shoes and African shop assistants wore flouncy off-the-shoulder dresses and looked as though they were going to a party. In one of the squares, an entrepreneurial photographer was promising six photos in 10 minutes and developing them up the sleeve of an old orange jacket.

One of the most richly decorated Baroque churches in the world is to be found here: the Church of St Francis, built of stone brought from Portugal; everything inside it is breathtakingly encrusted with gold leaf. Here, on Tuesdays, beans and rice are given to the poor, for it is a Franciscan Order and in the vestibule outside are hand-painted blue and white Portuguese tiles showing scenes from the life of St Francis. Only men can visit the adjoining monastery; women get a glimpse of the courtyard from a window. Nearby are pretty pink, blue and yellow 18th century colonial houses with wrought-iron balconies and red tiled roofs in what is the oldest part of Salvador, a place where slaves were once publicly punished.

You can learn much about the local religion by visiting the little Museu da Cidade with its models in hooped and brightly-coloured silky dresses, helmet crowns on their heads and armour in their hands representing the gods of creation with African and Catholic saints' names. Their expressions might look frivolous, explained our guide, Conor O'Sullivan, who has lived in Salvador for four years, but they are deadly serious.

Visitors can see a religious ceremony which has music and dancing as part of the service and lasts about two to three hours. You can see a *capoeiras* on any street corner. This is a kind of fight/dance brought to Brazil by slaves; not allowed by their masters to fight, they disguised their tussles by energetic "dancing" to the music of the one-stringed *berimbau*.

The easiest way to see the outlying areas – and it is not expensive – is to hire a taxi with an English-speaking driver. One day we took the coast road north alongside the endless white beach – an area where you are not allowed to build a house higher than a coconut tree – to see the national surfing championships. A few minutes from the beach we found the attractive Hotel Quatro Rodas and had lunch on a shady terrace overlooking a lake. If you do not want to be in the centre of Salvador this could be a delightful place to stay.

The food was delicious. We ate superb fish in beachside cafes and at one of the hotel restaurants tried *feijoadas*, a stew-like mixture of black beans, beef, dried and smoked meat, pig's trotters and ears, bacon, green cabbage and oranges. It was a great deal nicer than it sounds.

I asked Conor O'Sullivan what kept him in Salvador. "It's very different from any other city in Brazil," he said. "The African influence permeates the whole society: its religion, food, dance and music. And the people live harmoniously together with a smile on their faces that isn't put on. It's genuine. They are very open people."

■ Angela Wigglesworth travelled to Brazil with Varig Brazilian Airlines and Kuoni Travel, which offers a wide range of holidays in Brazil. A two-centre, two-week stay in Rio de Janeiro and Salvador costs from £790. More information from Kuoni Travel, Kuoni House, Dorking, Surrey RH5 4AZ. Tel: 0306-740500. Fax: 0306-884600.

COLLECTING

Turks ready to blitz the salerooms

Antony Thorncroft thinks patriotism may aid auctions

SOTHEBY'S in London eases gently into 1990 on Thursday with a sale of topographical views. This market is an attractive little backwater, which tells you more about the global economy than the reputation of particular artists.

If a country becomes prosperous, and allows its citizens to take money out, topographical views of their homeland are among the first antiques that they buy. The latest buying force in the saleroom (along with Spaniards buying 19th century Spanish pictures and the Taiwanese buying jades) are the Turks and they could snap up many of the top lots next week.

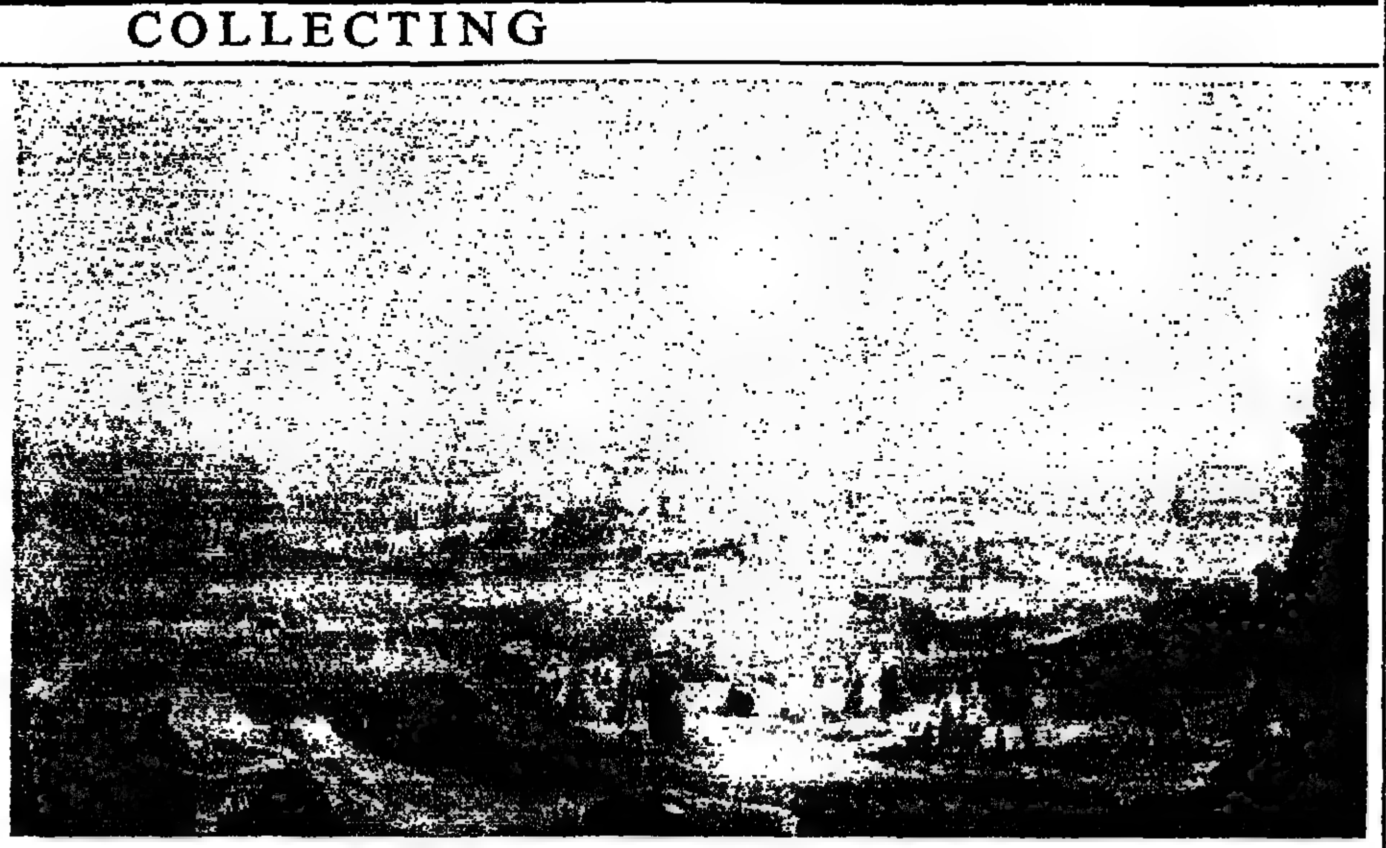
Sotheby's is well supplied with attractive material to suit them, notably a collection of 22 views of the Ottoman Empire painted in watercolour by Luigi Mayer in the late 18th century. Mayer was the tame artist of the British Ambassador at the Supreme Porte, Sir Robert Ainslie, and travelled widely. His work is best known from a series of aquatints published in England after 1800 but these are the originals. They present a fascinating glimpse of life in Constantinople and its possessions, with prices, for a group of five, stretching up to £15,000.

The Turks are happy to buy views of lands they once ruled and might well bid for "Turks smoking, with Athens beyond" perhaps painted by George Jones in the early 19th century and estimated at up to £35,000. The most expensive lot in the auction also shows Athens. It is by Richard Bankes Harraden, more famous for his views of Cambridge. This large canvas could sell for £50,000.

Early views of Australia are always popular and it is a pity that Alan Bond, who has a fine collection of Australian art, is currently a seller rather than a buyer. Two views by Frederick Garling of the Swan River in Western Australia, painted in 1827 when he accompanied the explorer Captain James Stirling, each priced at around £7,000, would appeal to him. There are also some good early views of Tasmania and of Melbourne in the auction.

When a country hits a recession, its topography falls in price: vendors try not to sell their collections. So currently there is not much from Brazil, or New Zealand. But what there is can be cheap. There is an exotic view of a planter with native servants, painted in 1829 by Georg Opiz. The fact that he never visited the West Indies does not spoil its charm.

Most views return home but there must be crossed fingers at Sotheby's about certain lots, notably two portraits by Rugendas, the leading artist of his day (around 1840) working in Chile, and a portrait by Raden Saleh, which if it reaches its top estimate of £20,000, must surely set a record for a painting by a 19th century Indonesian artist.



Richard Harraden, famous for his Cambridge views, painted Athens in 1828. It carries a top estimate at Sotheby's of £50,000

BONHAMS HAS cornered the market in topical sales, selling boat pictures to coincide with Cowes and the Earls Court Boat Show; paintings of fat cattle at Smithfield time – and of dogs around Crufts week.

On Monday morning, and evening, Dogs in Art come under the hammer and hundreds of prospective buyers, who never visit an auction for the rest of the year, will be bidding for a picture of their pet breed.

Almost 450 dogs, priced between £50 and £25,000, are for sale. This year the quality is higher than usual with works by such famous doggie painters as Landseer, Arthur Wardle and John Emms competing with primitive canvases of the early 19th century and the daubs of amateur dog fanciers.

Portraits of small dogs do best – spaniels on a cushion; Scotties on a stool; someone's favourite peke – and puppies, but there is usually a breed for everyone, from Great Danes to Norwich terriers. Unlike most sales, Bonhams believes it gets its estimates right so saleroom virgins are not disappointed when the bidding far exceeds the catalogue forecast.

Most of the paintings come from the late 19th and early 20th centuries and are appreciated more by dog fanciers than by art connoisseurs, although there are a few minor masterpieces, like the Landseer study of the head of a collie, and some of the Wardles.

The dogs will mainly stay in the UK, but the Americans, and now the Japanese, seeking portraits of toy breeds, are sniffing around.

THE STAMP market is slowly emerging from its long sleep. In the late 1970s stamps became a speculative commodity, like silver or sugar, rather than an art form, like Impressionists and Chinese ceramics, (although these are not without their investment buyers). Come the crash, early in 1980, thousands of stamp owners who had only acquired their collections because they believed history when it said that stamps were a solid, appreciating, asset, were left with fast depreciating pieces of paper.

The fact is that only the rarest of classic stamps are a sound investment. In the last forty years virtually every country has issued too many stamps to make them scarce (apart from errors). Only now are stamps bought a decade ago worth what their owners paid for them – forget inflation: but in the last twelve months the serious stamp market has become noticeably firmer.

It was a pity that the most important philatelic item of 1989, a Mauritius envelope bearing two of the very rare 1850 penny reds, failed to find a buyer at more than £1m at Christie's in Zurich in November: apparently the biggest collector of Mauritius was not interested (although there are now hopes of a private sale).

But this apart, demand has grown appreciably. Stanley Gibbons, the catalogue publisher, a major force in the market, reports that for the first time in years some prices listed in its guides are being exceeded at auction.

Since auction prices are usually around 60 per cent of retail levels this is some improvement. In their turn, higher values unfreeze locked up collections, enabling Gibbons to double its auctions, to £16, this season.

Christie's, with its Robson Lowe subsidiary, has become the major stamp auctioneer, with regular sales in London, New York and Zurich. Its records show how the market is improving. Among British stamps, the Postal Union Congress issue of 1939 became attractive to speculators, who pushed its price up to £2,000 for an item in good condition in 1979. A year later it was worth around £300. Last year Christie's sold one for £400. Another speculative stamp was the 1913 £1 Seahorse, selling for £2,500 in 1979; £400 in 1980; and now fetching at auction around £650.

Stamps with a collecting as well as an investing attraction, such as the Penny Black, survived the storm better. A block of four Penny Blacks might have moved from a peak approaching £10,000, to a depth of £4,250 in 1980, and could now be acquired for £7,500.

The rarest stamps show perhaps a 10 per cent appreciation this year. Recent material is out of favour, and good but not scarce stock is in average demand. In the autumn Christie's secured $1.1m in New York for the centre-inverted 1918 International Airmail block of four. The price was well above the $800,000 high estimate and was a record for a philatelic item. It was bought by a Texan who is the most popular visitor to any auction house or dealer – he is building up a collection of the most expensive items of their kind.

The Airmail block, like the Mauritius penny reds, came from the collection of the Weill Brothers, dealers from New Orleans. They are selling off some of the finest and rarest stamps ever gathered together. In the Zurich sale their British Guiana 2c "Cotton reel" pair on cover made £230,000. This has brought out another "Cotton Reel" pair (the third is in the Royal Collection) at Stanley Gibbons in May. It hopes for an equivalent price.

May will be the crucial month. London is playing host to the serious philatelic world, celebrating en masse 150 years of postage stamps. There will be the great competitions, with gold medals for the owners of the finest collections in particular fields. This is what the big players are working towards – and it can end in an anti-climax. Once you own the finest, the most complete collection possible, of a country's postal history, there is nothing else to do but dispose of it. This is the situation with the Japanese who has spent the past fifteen years accumulating the best American collection. It is rumoured to be on the market at up to $20m.

He is unusual in not collecting the stamps of his native land. That is the pattern, although the British are diversifying into Commonwealth stamps (West Indian issues seem out of favour at the moment as do Australian 19th century). One region attracting considerable interest is Eastern Europe; rare stamps issued by Russia and adjacent countries, frozen inside unknown collections for years, might soon come on the market, and in time there could well be an increase in buyers from the east.

But the country which has really excited the philatelic world has been China. Its stamps are keenly collected by Hong Kong Chinese (they obviously make ideal portable treasure troves if a crisis forces a speedy escape) but also by the Taiwanese, who only recently have been able to get capital out of their country. As a result such stamps as the One Candarin of 1878, the first stamp issued by China, has risen in price at auction from £600 in 1984 to £6,000 five years later while the rare 1897 revenue stamp, surcharged with a small dollar, of which only a hundred were issued, was changing hands for £32,000 in 1983 and for £115,000 last year. Here speculation is meeting rarity in happy harmony.

Phillips has become a major auction force in the stamp world, and Sotheby's and traditional specialists like Harmers, and Hapsburg Feldman, are also major participants in a trade which has become dominated by the salerooms. The number of important dealers in the UK has slumped from around 700 to nearer 50 in the past decade but keen collectors are confident enough to bid against them at auction.

THE GLITTERING place to be in London this weekend is undoubtedly the Park Lane Hotel in Piccadilly which is hosting the annual International Silver and Jewellery Fair, now a successful fixture in the antiques calendar. What lifts this fair out of the merely mercenary are the lectures by experts, and the exhibition.

At the last moment the organisers have got hold of the early 18th century Chesterfield wine coolers, just saved for the nation thanks to a £750,000 appeal. Also on display is Napoleon's silver gilt table service, or rather, half of it. The 119 items include the punch bowl, double salts, and service plates, and are usually in the care of the National Museum of Scotland in Edinburgh.

Today's lectures consist of "Fabulous fakes; jewels of fantasy and fashion" by Vivienne Becker, the leading expert on fashion jewellery; Ole Krog on Danish royal silver of the 18th century; and Phillipa Glanville on the royal plate of the Tudors and early Stuarts. Before the Fair ends on Monday evening, enthusiasts can be satiated with specialist knowledge on 19th century miniature glass mosaic jewellery; silver and gold in Vanitas still-lifes, and more.

If you must buy, there are unusual items on the stand of the fair's main newcomer Timothy Schroder, a gamekeeper turned poacher. He was curator of the Los Angeles County Museum before setting up in London as a dealer. He goes for works of art rather than for ornate silver objects and among his exhibits are an early 17th century German glass holder in the form of a kneeling silver gilt soldier, priced at £75,000.

The prize for bad taste must go to a silver perfume spray in the shape of a begging terrier. Squeeze between his ears and the perfume spurts from between his legs. It was made in London in 1876 and is offered by Brian Beet. A more acceptable Valentine's Day present might be an oriental pearl and pink topaz brooch, or pendant, made around 1840 in the shape of a heart. Hancocks is selling it for £1,850.

In contrast very grand, very expensive, items of silver will be on the stands of the big names – Asprey, Garrard, ADC Heritage, and Koopman, which is offering, for a six figure sum, a George III two handled soup tureen made in London in 1772 by Thomas Pitts, and enhanced by escutcheons.

The mark of Michelin

Is the Michelin guide the ultimate authority on good food? Nicholas Lander doesn't think so

LAST OCTOBER I had lunch at La Réverbère, a two star Michelin restaurant in Narbonne. My main course, a tournedos of hare, was so raw that I could not cut it. When I asked the waiter to take it back to the kitchen he was reluctant to do so, muttering that this was how the chef cooked it. I persisted, the dish went away and returned five minutes later.

Rather than being recooked and put on a clean plate with a fresh garnish, the plate had been thrown under the grill; the meat could be cut but the sauce was bubbling, the plate untouchable and a mess. I left more than half.

Although only five tables were occupied, neither the maitre d' nor the chef came to our table, but the lunch was, ostensibly, a treat for my mother-in-law and I did not want to make a fuss. When I came home, however, I wrote to the chef/proprietor in French, explaining my special interest in restaurants, and asking him for an explanation. I received no reply.

This tale is particularly relevant with the publication last week of the 1990 *Michelin Guide for Great Britain and Ireland* (£8.75).

There are now 512 Michelin starred restaurants in France, 82 in Germany, 135 in the Benelux countries, and 105 and 100 in Italy and Spain respectively, but only 34 in the UK. Should there be more? Not, in my opinion, if they are going to behave like the chef at La Réverbère. Nor do I think the new Michelin offers a true guide to the best that this country can offer.

The first Michelin guide to the UK appeared in 1974 and although there are now many more guides, it still retains its pre-eminence. This is largely because it tries to adhere to the principles laid down by Michelin France and has consequently won the approval of the top chefs here who are either French or cooking French food.

This pre-eminence has been cultivated by a policy of secrecy. Although the name of the chief inspector, Derek Brown, is known to many, his face is not and the rest of his team remains unknown. Even when Michelin invited me to their press launch last week they would not say until the day before where it was going to be held. However, Marco Pierre White at Harveys in London did not remain silent and word was out two weeks before his "elevation."

Whatever advantages these policies brought, they no longer serve the consumer. The emphasis on all things French has not only meant that Michelin is not "au courant" in countries where the cooking is undoubtedly good but that it also tends to ignore good restaurants on the grounds that they are outside its ken. This applies in particular to those whose cooking is from another culture, like the Japanese, Chinese and Thai in the UK which can offer very good value. And behind the famous symbols there is no advice, no encouragement to an aspiring chef or even to an interested diner.

However, Michelin has remained different from the other guides – and quintessentially French – because it has always stressed the importance of one particular quality in its starred chefs: consistency.

To Michelin, quite correctly, a top chef must be able to cook consistently well, day in and day out and over a number of years, to achieve its recognition. When Paul Bocuse was awarded the Legion d'Honneur by President Giscard d'Estaing he said that he had been awarded it for life, but his three Michelin stars he would still have to work to keep!

This year, Michelin seems to have abandoned this tenet. It may be an attempt to make itself more fashionable but in, for example, giving La Tante Claire in Royal Hospital Road, SW3 (01-352-6045) and Harveys in Wandsworth SW17 (01-672-0114) the same two star rating, it has destroyed a great deal of its credibility.

For the past nine months the gossip on the culinary grapevine was that Pierre Koffman, chef/proprietor of La Tante Claire for the past 10 years, would finally get his third star. Trained under the Roux brothers, he has consistently cooked the type of food that would please diners, fellow chefs and inspectors alike.

Bourgeois in origin and rooted in his native south west France, he has developed a corps of dishes on which he has steadily built. His talent in picking the very best produce on offer, long recognised by his suppliers, has been a great advantage.

A recent meal started with one of his most striking dishes, white scallops sauteed and served on black squid ink. Next, to compare like with like, I ordered hare. What arrived was delicious. The fillet, roasted a perfect pink, the thigh shredded and cooked a deep brown, both surrounded by wild mushrooms, cabbage sauteed with cream and smoked bacon and served with a small sideplate of vegetables. Both dishes showed the hallmarks of polished professionalism, as did the service. Small criticisms persist – the glassware, the unrelievedly French wine list and the policy of leaving the service charge blank if you pay by credit card – but in terms of the food and the service it was far superior, not only to La Réverbère but also to Harveys.

Since he opened barely four years ago, Harvey's chef Marco Pierre White has pleased and upset many – customers, fellow chefs and even TV viewers affronted by his locks. Michelin would judge him more objectively on his culinary skills and his staff's ability to look after their customers, but on the night we ate there both were disappointing.

All the staff are young, under 30, but the two managers seem more keen to boss their waiters around than to smile on their customers. Nor was this cold hearted but perfect service. Our first courses went to the wrong table, our main courses were served the wrong way round, waiters stretched across us from both sides.

My wife left over half her main course but the maitre d' did not bother to ask why. The reasons were fairly basic; it had been served with a quite different sauce from that specified on the menu and with the same noodles as her excellent first course.

The kitchen was in no better form. By 9.30 it had already run out of two of its 10 main courses, but had substituted neither. My first course, a navarin of fish, had been poached in a rather bland fish stock and the mustard sauce with the turbot that followed lacked flavour. My wife's confit of salmon, ostensibly poached with goose fat, did not have the robustness this type of cooking should evoke.

It must remain a mystery as to how and why Michelin has given these two very different chefs the same rating.

Although the first star for Bruno Loubet at the Inn on the Park is his just reward, two equally surprising "elevations" are a first star for Cavaliers' SW8 and a Red M, indicating good value, for Keat's in NW3.

There is little other than telephone numbers in this Guide for anyone curious about the wide range of interesting restaurants in the UK. The only encouragement it does offer is to the editors of the other food guides who must now capitalise on Michelin's serious lack of judgment.

■ *My wife the wine writer Jancis Robinson and I would like to entertain six Weekend FT readers to dinner at our London home. Jancis will choose the wines, including Dom Perignon 1982, Bonneau de Martray Corton Charlemagne 1979, Chateau Lafite 1979 from magnum and a venerable Sauternes, Chateau Coutet 1926, and I will cook a meal.*

The six places will go to those willing to make the largest donation to the Crohn's Disease Research Fund to build on a recent research breakthrough made at the Royal Free Hospital, Hampstead, London. This uncommon debilitating disease is an inflammatory condition of the lower intestine.

The dinner will be held on either Saturday March 17 or 31. Please send a cheque payable to the Crohn's Disease Research Fund or a written bid stating how many places the bid is for and specifying if either date is inconvenient to Nicholas Lander, Financial Times, One Southwark Bridge, London SE1 9HL.

The meat of the matter

CHARITIES, chain stores, boutiques and shop-less enterprising small producers are all at it. Do you want wallpapers, clothes, Christmas cards, freezer bags, gardening tools, wines or what? You name it and someone, somewhere can take *your order* by telephone or post for delivery to your home by carrier. Browsing through catalogues, not browsing through shops, now seems to be the smart way to buy.

After all very few small country towns, let alone villages, can now boast a good butcher, a good baker AND a good greengrocer. I have to drive quite some miles in order to find farm eggs, fish, meat and breads that are really worth eating – and this is typical for many rural shoppers.

Shopping by telephone and by post is clearly the answer for today's country gent stranded *sans* butcher. I can't vouch for the home delivery service of bakers or candlestick makers but Anne Petch of Heal Farm* produces superlative meats and will deliver to your doorstep swiftly and efficiently, no matter how far you may be from the centre of civilisation; and where *she* led the way, other farmers of real meats have followed.

Buying meat this way is not cheap. Top quality *never* is, nor is home delivery by overnight carrier, but the prices will seem less steep if you order quite a lot at one time, maybe clubbing together with friends so that the carriage costs can be shared.

Like many people I eat far less meat now than once I did. I mind about quality more than ever, and I despair of the increasing awfulness of so much meat on sale. By buying from a company like Heal Farm meat-eating has become a delicious pleasure again.

The meat comes from traditional breeds chosen for their good eating qualities. The animals have been reared naturally, well fed and well looked after, not subjected to intensive farming methods. Proper care is taken in slaughtering and butchery. The carcasses are properly hung and the cured meats are cured in traditional ways, without artificial colourings or water retainers. The proof is there in the eating and I am willing to pay a premium price accordingly.

Anne Petch has farmed rare breeds of pigs at Heal Farm for over 10 years now – tawny-haired Tamworths, Gloucester Old Spots and other old breeds noted for flavour, a proper ratio of fat to lean and skin that roasts to a crackle of gold. The flavour and texture of her hams, coarse-cut sausages and bacon make old men weep with pleasure.

Heal Farm's own pigs are now supplemented by rare breeds, or rare breed first crosses, supplied by other farmers rearing animals specially for Anne Petch to her specifications. There is beef (Devon Red Rubies) which is hung for at least three weeks, conventional and primitive breeds of lamb, and venison from park-reared fallow deer. A fine range of pates, brawns and salamis is also available and special recipe packs which change quarterly. Current offerings include pieces of North Ronaldsay lamb (a small seaweed-eating lamb from the Orkneys with fine grained, almost gamey meat) in an olive oil, wine and herb marinade ready to casserole.

The Pure Meat Company,* also located in Devon, is only three years old but fast winning friends. *Founder* Jonathan Blackburn and fellow farmers in the group rear their animals under the guidelines of The Guild of Conservation, which Blackburn regards as setting the right standards for the realistic alternative to organic farming.

The Pure Meat Company's fresh pork, bacon, hams and sausages all come from traditional breeds of pig, such as Berkshire and Gloucester Old Spot, or from Wild Blue (a cross between wild boar and domestic pig). They will make up special sausages, by arrangement, for customers who suffer from allergies – to wheat or to whey, for example.

The beef is hung for at least two weeks; lamb comes mostly from mountain breeds. Chickens, ducks and turkeys are all free-range; geese are available at Michaelmas and Christmas. Recipe packs are popular and, following a Christmas success, one of the current specialities is a Three Bird Roast, the birds being boned out and packed one inside the other.

Greenway Organic Farms* is a young, vigorous newcomer to the world of home delivery service. Director Stewart McKenna is a passionate believer in the virtues of organic farming and hopes that the company will have its own flagship butchers shop(s) north of the border before long. The company sells only organically raised meats. Scottish beef (Angus cross) and lamb are the specialities; both are well hung. Greenway will also supply customers with fresh, vacuum-packed, free-range, organically grown chickens, guinea fowl and Barbary duck imported direct from farmers in south Vendee in France. Organically grown turkey and goose are also available at Christmas.

The availability of fine quality meats enables the cook to serve – *maybe for the first time in years* – some of the simplest and best foods in the world. I mean things like plain grilled or pan-seared chops and steaks. Such unfussy cooking shows off the meats to the maximum and it has the added advantage of calling for minimum effort by the cook.

Pork chops with fennel and orange

This made a very welcome appearance at our table recently. Marinate the chops briefly in the juice and zest of an orange, with a splash of olive oil, a few crushed fennel seeds and a good grinding of black pepper. Cook the chops under a very hot grill for a minute or so on each side to seal the meat, then grill very gently indeed for a further 8-9 minutes on each side until cooked through. Or use a ridged cast-iron grill pan for cooking the meat.

Serve the chops on a buttery, peppery, slightly sloppy potato puree, and have a salad of Florentine fennel, toasted walnuts and blood oranges on the side.

*For further details, price lists and orders, contact the companies direct:

Heal Farm, (farm shop and home deliveries by overnight carrier) Kings Nympton, Umberleigh, Devon EX37 9TB. Tel: 07695-2077 and 4341.

The Real Meat Company (butchers shops in Taunton and Moreton Hampstead, and home deliveries by overnight carrier) Moreton Hampstead, Devon. Tel: 0647-40321.

Greenway Organic Farms (home deliveries by special carrier) Freepost, Edinburgh EH1 0AQ. Tel: 031-557-8111.

Philippa Davenport

Champagne faces a crisis

***Edmund Penning-Rowsell** outlines the industry's problems*

CHAMPAGNE IS promoted very much as the wine of success. Drinking it, more often than not, is a symbol of celebration. The Champenois might be thought to have good cause for celebration, too, for last year they were unexpectedly fortunate.

After selling in 1988 more than they produced in that year, they missed narrowly a possibly larger deficit last year when, near the end of April, a severe frost affected 20 to 25 per cent of the vineyard region. Then, during the flowering of the vines in June, there was an exceptional amount of rain which resulted in extensive *coulure* (failure of the flowers to set). However, the productive vines delivered a heavy crop that was picked early and amounted to the equivalent of about 235m bottles – 11m more than in 1988. Sales were still rising, though, and were 8m up for the first six months.

Nevertheless, due to an exceptionally fine, warm autumn, the unripe grapes left (as always) on the vines ripened and were picked almost until the end of October. This extraordinary second crop produced another 40m bottles, giving a total equal to 275m bottles compared with total sales of 251m bottles (as against 237m – up 6 per cent – in 1988). Moreover, 1989 is certain to turn out to be a fine, probably outstanding, vintage year.

Despite this, a sense of crisis permeates the industry; indeed, one well-known producer says: "This could be a turning point in the history of champagne." Such a startling sentiment arises from problems on two fronts: the provision for the merchants of adequate quantities of the raw material – grapes – and maintaining quality when too much cheap, inferior champagne is being sold. There is also the growing competition from other sparkling wines throughout the world.

The quantity problem is very much to the fore just now because a new six-year contract for the supply of grapes is being negotiated between about 100 grower-merchants and 19,000 growers, of whom 5,000 market champagne under their own labels. The merchants, who own no more than 11 per cent of the vineyards (some have none at all), depend crucially on this agreement being signed by mid-March, and they are backed by the growers' syndicate.

However, in spite of the extraordinarily high price of grapes compared with elsewhere in the French wine regions – up nearly Ffr3 last year to Ffr27 a kilo for wines from the 100 per cent communes on the Montagne de Reims and the Côtes des Blanc – it is more profitable for an energetic grower to sell direct under his own label or to sell still wine (*vin clair*) or in bottle (*vin sur latte*) to eager merchants short of stock.

Stock shortage has arisen partly because of the great increase in sales in recent years (from 175.5m. bottles in 1980) and partly because of the view held firmly by the leading *grande marque* merchants (as well as the trade organisation, the Comité Interprofessionel) that, to maintain the special quality of champagne, it must be held for three years in bottle before being sold.

If a merchant is to avoid increasing prices uncompetitively to meet growing costs, including those of the grapes, he must try to sell more bottles; and to maintain the ratio of stock to sales in order to sell, say, 10,000 more bottles each year, he must acquire the equivalent of 30,000 bottles extra. As his share of the vintage is controlled strictly by the trade body, and is based on the previous year's sales (this year, 94 per cent of his 1988 total, but 110 per cent on the proportion exported), he is likely to have to recourse to *vin clair* or *vin sur latte*.

Until very recently, the added sales that merchants could achieve in this way increased their share of the following vintages. This assisted the merchants greatly in the

buyer's own-brand side of the trade, not least for the British supermarkets; indeed, advantage was taken of being able to sell their champagne legally after only a year in bottle. To discourage this, all purchases of *vin clair* are now deducted from the next vintage's allocation, as well as attracting a 15 per cent tax, while *vin sur latte* sales incur a tax of Ffr15 a bottle. These taxes, together with one of 8 per cent on purchases at the vintage time, all go to the contracted growers, who number 16,000 out of the 19,000 total.

They range, however, from those who sell all their grapes to the *maisons* to those who contribute a token 10 per cent. For it is appreciated even by those who sell little or none of their production of grapes that it is the merchants, particularly those with substantial sales abroad (in all, one-third of total sales) who make and maintain the reputation of champagne in a world increasingly well-supplied with sparkling wine at much lower prices. Without their unceasing promotion, the outlook for champagne would be dubious.

The "sweeteners," combined with other inducements (including a *prime d'engagement* for contracted growers, and a not-unlikely top grape price of Ffr30 a kilo for this year's vintage) are bound to lead to a sharp increase in champagne prices, not least in the supermarkets. However, the buyer's own-brand companies, responsible for selling about 20m bottles a year, will fight hard to maintain their share of the market, particularly in Britain. They may well think it worth-while to pay an extra Ffr15 a bottle for *vin sur latte* so long as it gives them access to a greater share of the vintage.

Will the heavily-promoted operation for the signature of the new contract by March 15 succeed? Broadly, it will; for, without a contract, prices of the grapes at the next couple of vintage would probably be very high, followed by a severe decline as champagne sales fell. But the parameters are narrow. The last contract provided the merchants with 49 per cent of the crop but the maximum in the life of these contracts, initiated in 1959, has been 52 per cent. So, an increase of 1 or 2 per cent would have a considerable effect.

Meanwhile, although Nature, generous in the past few years, has the last word, an increase in potential production is being made possible by new plantings of about 300 ha a year. The total planted is now 29,000 ha, with 27,000 ha in production, and a ceiling of 30,000 ha is likely to be in full production in about four years' time – although, of course, there are always vineyards ploughed up awaiting re-planting with young vines. In the foreseeable future, a further increase in the total authorised vineyard area will not extend beyond the geographical limits fixed in 1927 (although it might take-in land inside these but not authorised in the very different conditions when annual sales of champagne were around 30m bottles a year).

There are pockets of very suitable land for vineyard planting but this will be a far-from-easy operation, involving enormous re-valuation (that must be spread out fairly among the growers) and a firm stipulation that most of the new production goes to the merchants. One piece of eminently plantable land that is, however, unlikely to change use is the Hautvillers football ground, said to be potentially the most valuable in the world.

CHESS

BRITAIN'S grandmasters have had some of their best results in the Netherlands where tournaments are sponsored generously, organised well and reported prominently in the media. Nigel Short won at Wijk ann Zee and Tony Miles took first place at Tilburg when still representing England. This year, the annual Wijk event, backed as usual by the Hoogovens steel company, was a surprising and welcome success for John Nunn, the 1980 British champion.

Nunn made his effort late, overhauling early leaders Short and Korchnoi after they had setbacks – including losses to the bottom player. At the end, he had a narrow but clear margin over an eminent field: Nunn 8/13; Andersson and Portisch 7½; Dlugy, Gurevich and Petursson 7; Anand, Dokhoian, Korchnoi and Short 6½; and four Dutchmen in the rear. It did not quite match Nunn's gold medal result at the 1984 olympics but followed his strong performance in the World Cup, where he was among the six to qualify for the next series of super-tournaments.

Nigel Short has had endured a sequence of frustrating results in recent months, and his occasional lapses against weaker opposition again proved critical. He lost to two of the Dutch players which, given such close scoring, cost him a possible first prize.

The chess circuit now moves to Linares in Spain where another super-tournament is planned to test Gary Kasparov and his all-time peak of 2,800 rating points. If Kasparov wins again it will be a tribute to his personal resilience, coming so soon after his hasty flight to Baku to rescue his Armenian friends and relatives from the civil war in Azerbaijan.

Nunn's victory at Wijk stole the honours (for once) from the Polgar sisters, who all competed in a second GM tournament without achieving any dramatic further advance. The youngest sister, Judit, 13, again made her mark with this week's game and its truly original concept.

Tal, Fischer, Keres and many later players have based sacrificial attacks against the Sicilian Defence by giving up knights or bishops at d5 or e6, but Judit injects decisive impetus into her assault by giving up her bishop at d4 – normally one of White's key attacking pieces. Her ensuing build-up is almost leisurely and *culminates in a tactic at move* 29 based on a remarkable checkmating idea.

In the latest Fide rankings Judit has 2,550 rating points, nearly 100 ahead of the official world women's champion and up among the top 100 men. Fischer and Kasparov achieved such peaks only at age 15-16.

White: Judit Polgar (Hungary). Black: B. Damljanovic (Yugoslavia). Sicilian Defence (Wijk aan Zee 1990).

1 e4 c5 2 Nf3 Nc6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 d6 6 Bc4 Qb6 7 Nb3 e6 8 Be3 Qc7 9 f4 a6 10 Bd3 b5 11 Qf3 Bb7 12 0-0 Be7 13 a4.

White's attacking formation is derived from early Fischer games of the 1950s and 1960s, with later refinements. But Judit's last move, although it turns out well, looks oddly irrelevent compared with the normal 13 Qh3 or Rae1.

13 ... b4 14 Ne2 Na5.

In view of what follows, a better strategy might be 14 ... 0-0 15 g4 d5 16 e5 Ne4, offering a pawn for the initiative.

15 Nxa5 Qxa5 16 g4 Qc7 17 g5 Nd7 18 Bd4 0-0 19 Qh5 e5 20 f5!

A spectacular, yet logical, idea: if 20 fxe5 or 20 Be3 exf4 Black controls e5 and stands better.

20 ... exd4 21 f6 Ne5.

Here, gxf6 loses to 22 e5, so Black tries to give back the bishop while Judit ignores it and masses her entire army for attack.

22 Rf4 Rfe8 23 Rh4 h6 24 Ng3 Qd8 25 Rf1 Bf8 26 Nf5 Re6 27 Rf2 d5 28 Rg2 Ng6 29 fxg7!

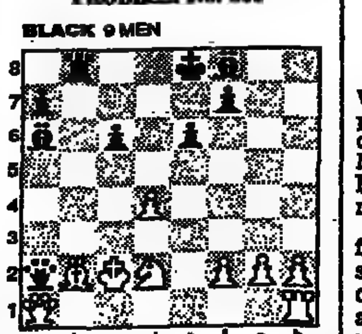
The artistic climax of Judit's brilliancy is a double rook sacrifice. If now Nxh4 30 gxh6 Nxg2 31 h7 mate.

29 ... Bxg7 30 Nxg7 Kxg7 31 Qxh6+ Kg8 32 e5 f5 33 gxf6 Resigns.

Readers who have a book with Fischer's well-known Game of the Century against Donald Byrne, played at almost exactly the same age (13½) as Judit is now, will find it interesting to compare the two for artistic impression. It's a close race, but my vote is for Polgar.

PROBLEM No. 800

BLACK 9 MEN



WHITE 9 MEN

L Johansson v. Z. Nilsson (Amsterdam chess olympics 1954). Material is level; and although White's king is exposed, he hopes for an exchange of queens with good prospects of a draw. What should Black (to move) play next?

Solution Page XXI

Leonard Barden

BRIDGE

MY FIRST hand comes from mixed pairs of a high standard:

N
♠ A
♥ A K Q J 10 7 5
♦ 10
♣ Q 10 9 6

W
♠ 9 7 6 4
♥ 8 6 3
♦ Q J 2
♣ K 7 5

E
♠ J 10 8 5 3
♥ 9
♦ A 9 7
♣ 8 4 3 2

S
♠ K Q 2
♥ 4 2
♦ K 8 6 5 4 3
♣ A J

With neither side vulnerable, West dealt and passed. My partner in the North seat opened the bidding with two hearts. With my excellent hand I had visions of a slam, and replied with three diamonds.

North re-bid three spades – four hearts to show the solid suit is better – and I said four clubs. North said five clubs and I said six no-trumps, rather than six hearts, to protect my diamond king.

West led the seven of spades. There were 11 tricks for the taking and the 12th could come from the club finesse or from finding the diamond ace with East.

Most declarers in six no-trumps rely on the club finesse, losing to the king, and the diamond return puts the contract down. I regret to say that I did the same.

Later, I realised that the best play at trick two is to lead dummy's diamond 10 and, if East plays low, put up the king. As the cards lie, the king wins and the slam is delivered.

Suppose the king loses to West, you say – you're finished. Not really.

If West has the ace without the queen, he will assume that the king is a false card from a suit headed by the king and queen and will switch. Then, you will be able to try the club finesse later. You have given yourself two chances instead of one.

Six hearts is defeated by the lead of a club or the diamond ace, but succeeds if a spade is opened.

The next hand is from rubber bridge:

N
♠ K Q 8 6
♥ 10 9 6 2
♦ A K 10 6
♣ K

W
♠ 5 4
♥ K 7 5 3
♦ 7 3
♣ A J 10 6 5

E
♠ 2
♥ J 8 4
♦ J 9 5 4
♣ 9 8 7 3 2

S
♠ A J 10 9 7 3
♥ A Q
♦ Q 8 2
♣ Q 4

South dealt at game-all and opened with one spade. North said three diamonds and raised South's re-bid of three spades to four. South bid five hearts – Blackwood gets him nowhere – and North jumped to six spades.

West led a spade and declarer cashed two rounds with king and ace. He crossed to the diamond ace and followed with queen and king but the suit, unkindly, did not break.

After ruffing dummy's last diamond, he played not the club four but the queen. West won and, taken in by the false card and terrified of giving the ruff discard, switched to a low heart. The slam was made.

East, justifiably, was upset. His partner had failed to do his sums.

He knows that the declarer has six spades and three diamonds. If, therefore, the club queen is a true card, and if he really has a singleton club, then he must hold three hearts and the dreaded ruff discard could not cost the contract – South could dispose of only one heart in hand.

Yes, sometimes all you have to do is count up to 13.

E. P. C. Cotter

HOW TO SPEND IT

Lucia van der Post waxes nostalgic over a former 'wonder material' and comes up with some romantic notions for Valentine's Day

Plastics? Fantastic!

OH, the nostalgia of it all! Plastics, once the white-hot high-tech, latest, brightest, most advanced material in the world, is now the stuff of retrospective exhibitions at the V&A, of discerning people's most precious collections, of high-profile auctions in international salerooms.

Whoever would have thought it would come to this after such *inauspicious* beginnings. Plastics, after all, used to be the stuff of jokes, of tupperware parties and tacky toys that came apart, of cheap imitations and high-flown pretensions.

It was the Italians who first made us realise that cheapness need not be tacky, who saw that plastics offered an unequalled opportunity to produce fine design at prices everybody could afford. It wasn't long before the 1960s began a long love affair with the material and many of the great names of modern design – people like Charles Eames, Joe Colombo, Vico Magistretti, Ettore Sotsass and Dieter Rams – were inspired by plastics to produce some of their finest work.

Since then several things have happened. First country-house style, a look based on natural materials which evolved long before the development of plastics, became the prevailing domestic idiom and the taste for the bright new products of the plastic age went underground. Second, as the Green movement gained ground plastics, being oil-based and non-biodegradable to boot, fell further out of favour.

Nevertheless, plastics products are still a vital part of almost every household and anybody interested in them should make a point of taking in two exhibitions on the subject. At the V & A's 20th Century Gallery The Plastics Age: From Modernity to Post-Modernity starts on February 14 and runs to April 29, while at the same time Liberty of Regent Street, London W1 will be holding a selling exhibition at which plastics from all periods, including a lot of the contemporary merchandise on view at the V & A, can be bought.

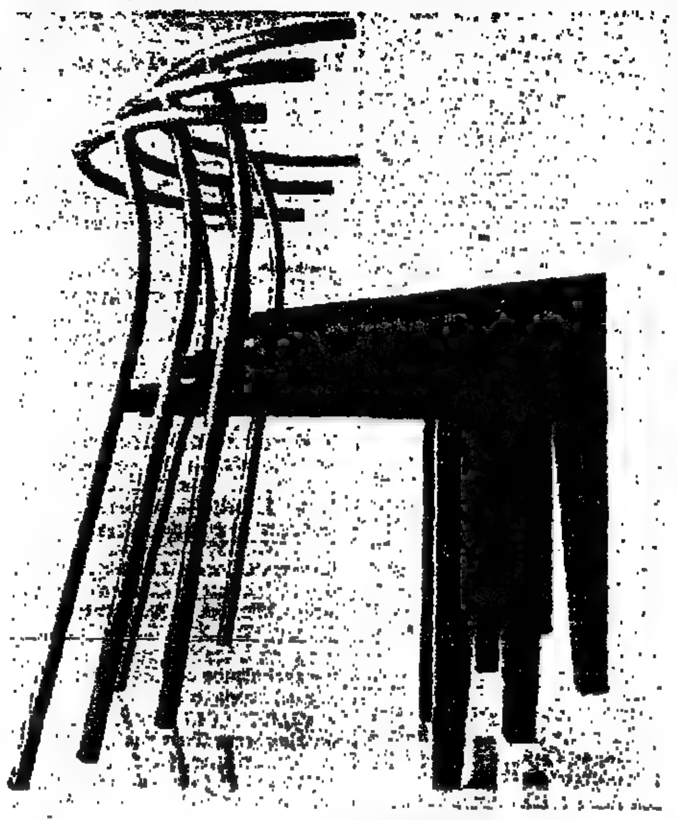
Liberty's exhibition on its lower floor will be a real trip down nostalgia lane for those who first furnished houses in the '60s. Many of the grand old classics – the Joe Colombo chair, the cylindrical and oblong stacking units by Kartell, the Zanotta blow-up chair, the Plia folding chair – will all be there. But there is also a brave attempt to show that plastics have a future so some bright new designs will be featured, ranging from pieces by the great French designer, Philippe Starck, to Matteo Thun's elliptical mirrors, Anna Castelli Ferrieri's chairs and Giulio Polvana's box-based shelving system.

As always many of the best applications for plastics seem to be in the realm of toys. In particular there is a marvellous plaything by Dizzo Toys – from a group of components that all come backed into a cylindrical drum the child can put together six different substantial toys. Then there's a wonderfully camp doll called Mdvanii, which is designed by Billy Boy. She costs £145 for the basic version, £285 for the de luxe in which she comes with human hair coiffed by Alexandre de Paris and haute couture outfits at £255 a time (£50 for ready-to-wear).

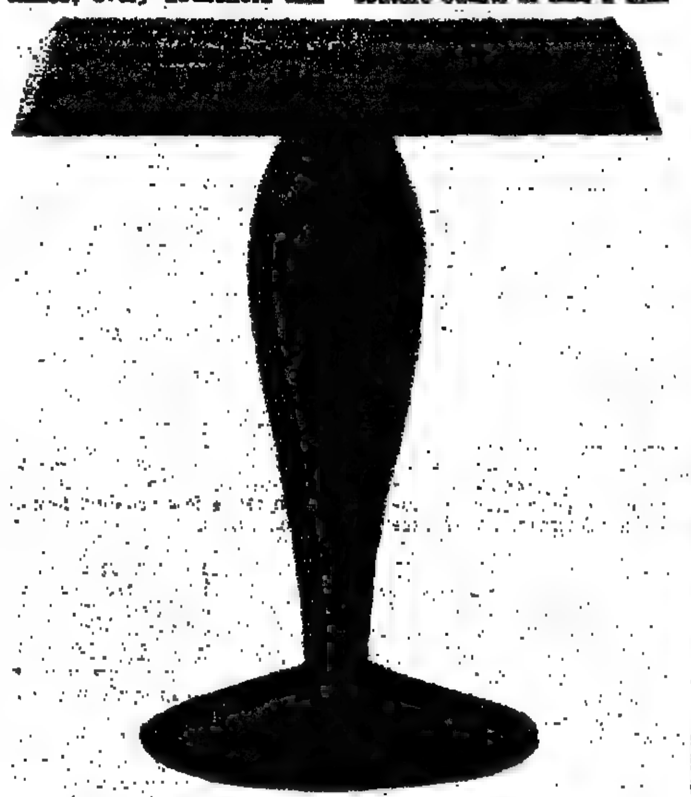
Authentics, a German manufacturer, seems to specialise in the charmingly kitsch end of the spectrum with lots of wacky things like bright pink dustbins; children's jelly shoes, fluorescent hot-water bottles, plastic flowers and ducks.

Perhaps of most serious practical interest are the lovely household products from the Italian company of Carrara & Matta – chunky picnic tumblers, an efficient, sturdy wine cooler. From Biesse come some exceedingly inexpensive tumblers, cutlery, rainbow-coloured picnic plates, all-purpose gadgets and the like.

What both exhibitions will do is to remind us of the immense flexibility of plastics, of how many different forms it can take, of how inexpensive it is – some of the very nicest, most desirable of things, in my view, are the cheapest – and, above all, of what sheer *fun* plastics can be.



Stacking chairs have long been a favourite product to which designers interested in plastics have applied their talents, and most top-class designers have wanted to solve the problem of low-cost, flexible seating. This is Philippe Starck's latest version for Kartell. Called the Dr Glob chair, it comes in black, grey, coral, sky blue and aqua and costs £110 each from Liberty



Among the most original of contemporary designers working with plastic materials is Philippe Starck. Here his Miss Balú table for Kartell shows some of plastics' inherent flexibility, its ability to produce sinuous shapes to best effect. In black, grey, coral, sky blue or aqua it is 72.5 cm high, 64 cm wide and costs £190 from Liberty. There are several bigger versions at prices going up to £380

Those who love early plastic, and bakelite in particular, should head for the Cobra & Bellamy corner of the Liberty exhibition where Veronica Manussis, one of the Cobra & Bellamy partners, will be selling many pieces from what must be a unique collection of 1930s, '40s and '50s plastic pieces.

They range from the wild and wacky, such as the ice-cream cornet-shaped Avon lipstick, to the truly beautiful, like much of the jewellery. Prices vary widely – from £5 for some '50s ear-rings and £85 for some '30s banana-shaped American cuff-links to the high hundreds for the rare items.

Photographed above are some of the more precious items in the collection. The suede handbag is a copy of a Cartier '20s design, though here its clasp of coral elephants is made of bakelite. It costs £600.

The bakelite and paste Ken Lane earrings and brooch are exact replicas of a very famous George Fouquet design from the 1920s. Faux onyx, jade and diamonds, the earrings are £98, the brooch costs £250. The '30s metal and bakelite necklace is £78 while the head brooch uses real ebony and bakelite and is a '50s design from America. The price is £750.

IF YOUR bank balance has barely recovered from Christmas you may not be too pleased to be reminded that St. Valentine's day is here again. But it is, it is. If you are one of the growing number who have been successfully pressured into feeling that here is yet another call upon your pocket, that your nearest and dearest will feel neglected, deprived and generally unappreciated if there is no token of your esteem come the day, then there is no shortage of ways to spend your money. Here, for those who are feeling romantically inclined, are a few suggestions.

Gifts, with love

LONDONERS wanting to send some special floral tribute might remember Flowersmith at 34, Shelton Street, London WC2 (tel. 01-240-6688) which can be guaranteed to provide a little extra horticultural elan for your money. You could choose red anemones with ivy berries and rosemary all tied up with red paper ribbons for £12; a stem of red amaryllis with black contorted willow (again tied up with red paper ribbon) for £10; or a basket of potted bulbs and flowers for £20. Delivery is extra.

■ You could spend just £2.25 on a little Zulu bead love letter from Neal Street East, 5, Neal Street, London WC2.

■ A serious present (in the financial sense, that is) but enchanting none the less is Ingo Maurer's heart-shaped light. Design cognoscenti will know that Ingo Maurer is one of the world's leading lighting designers and his "One From The Heart" light is not your run-of-the-mill box-shaped lamp-shade – it is a delicate, surreal, floating, fragile device, with a central red heart supporting a smaller mirrored one which rotates and throws its shadow on to the surface below. £290.50 from the London Lighting showroom, 135 Fulham Road, London SW3 6RT.

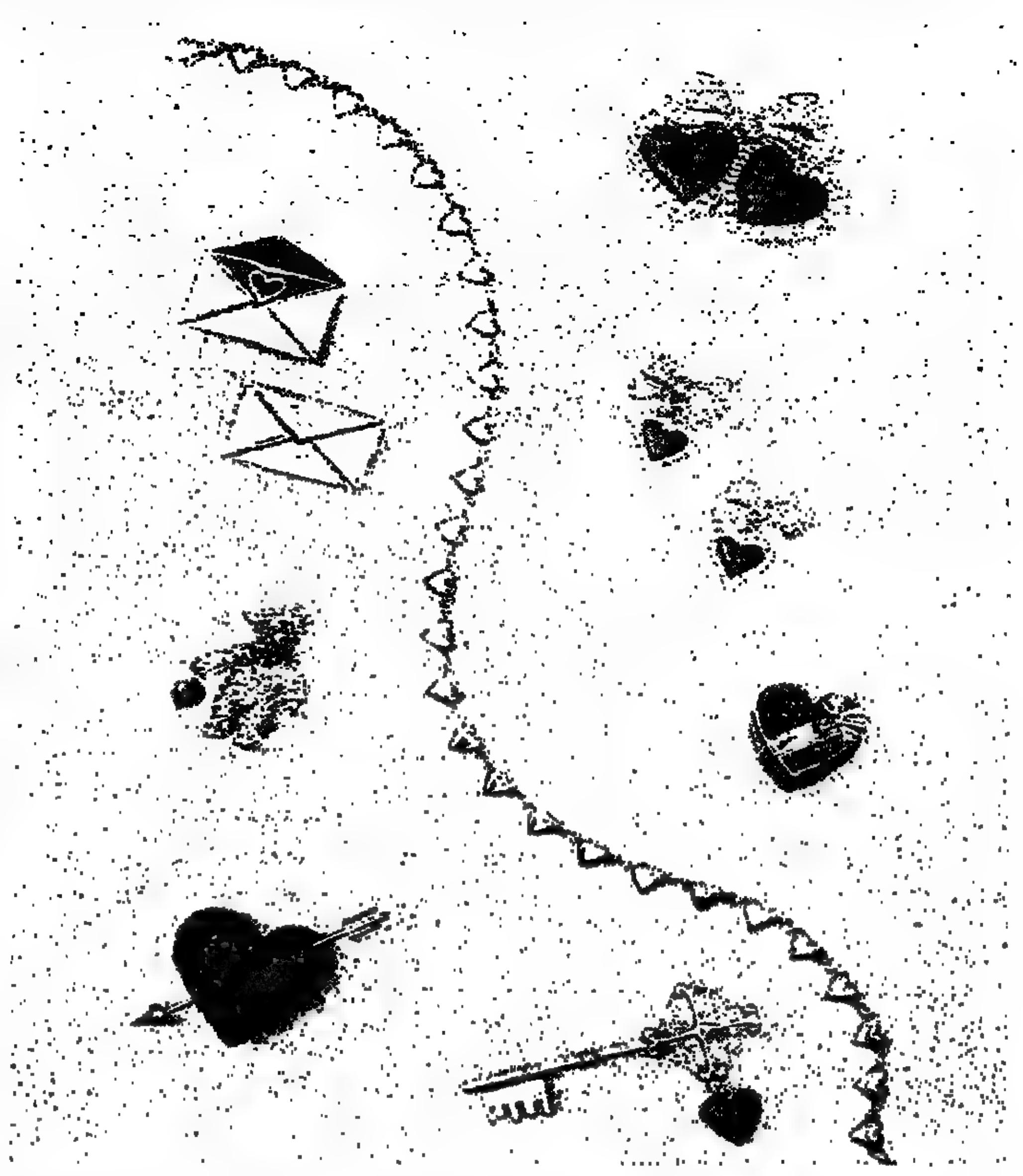
■ If you think flowers are old-hat, chocolates fattening and jewellery too expensive, you might like to say-it-with-a-song instead. For just £5.99 (plus 30p post and packing) Send-A-Song will record a ballad of your choice and the name of your dreams will be included - whether "Ann or Anastasia, Joe or Jehoshaphat," Send-A-Song says it can handle it. Ring 0245-352008.

■ If you haven't had a minute to organise anything Basket Express will deliver any manner of delights to any door in the London area – anything from boxer shorts, bottles of booze and gentleman's soap and talc for HIM to lace and satin cushions, pot pourris, "I love you" Teddies and photograph frames for HER. Prices start at £25. Call on 01-289-2636.

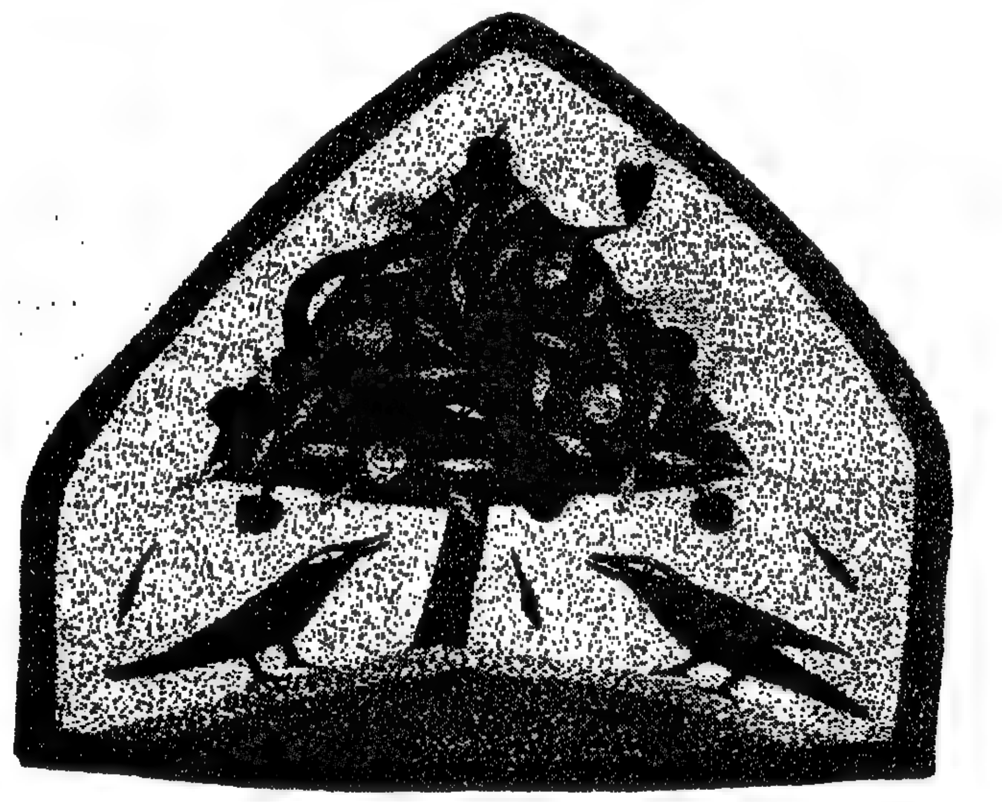
■ Flying Baskets sticks chiefly to food, though food of a gourmet nature. For £50 you get a heart-shaped basket filled with treats for two – smoked salmon, fresh pasta with pesto sauce, salads, french beans with olives, Neufchatel cheese with handmade oatcakes and a box of sumptuous fresh cream praline truffles. Buy the champagne yourself. Nobody is saying it is cheap, but it makes a grand gesture. Ring 01-734-7535. Delivery in London's West End is free, elsewhere delivery is charged for. You can also collect the baskets yourself from Frith's Restaurant, 14, Frith Street, London W1V 5TS.

■ Those who love the romantic flowery offerings from Penhaligon could opt for a new book by Sheila Pickles – fans will remember she founded the shop several years ago and though it is now owned by Laura Ashley she is still managing director. The book is called *The Language of Flowers* and it is published on February 14 at £12.95. In suitably floral and romantic mood, *The Language of Flowers* looks at the symbolism, origins and legends of about 40 English flowers. In typical Sheila Pickles romantic vein there are also selections of prose and poems on a love theme and the whole is made even more fragrant by using endpapers scented with Penhaligon's fragrance, "Violetta."

■ Enchanting hand-painted cushions by Robert & Colleen Bery can normally be sent by mail, though if you need them in time for Valentine's Day you'll have to go and fetch them from their shop-cum-studio at 157, St. John's Hill, Battersea, London SW11 1TQ (Open Monday to Saturday, 10 am to 6 pm). The cushions are exceptionally pretty – Aubusson-inspired rose cushions in two designs, tea rose and dusty rose, painted on to a dusty pink background, backed and piped with natural linen and with gold tassels in each corner. 18 in square, they are £50 each, £3.50 p+p.



If you'd like to give a piece of jewellery but don't want to spend the earth, *Ciro* is a good name to look out for. The range of jewellery photographed here is all from Ciro and prices range from £22.50 for the chocolate box brooch to £39.50 for the double heart brooch. All can be found either at Ciro, 9 New Bond Street, London W1, 61a Brompton Road, London SW1 or from most good department stores.



If you feel like giving something that verges on a proper present then the Crafts Council Shop at the *Victoria & Albert Museum*, South Kensington, London SW7 has some tempting ideas in a series of work by contemporary artists in ceramics, silver, jewellery, wood, and metal. You could spend £8.05 on a pewter love token or £17.20 on a silver one; buy a pair of ceramic ear-rings for £17.20 or a painted paper bookmark for £15. If you wanted something splendid then there is a wonderfully decorative embroidered wallhanging, 7 in high, called "Forbidden Fruit" (above) that sells for £430.

Those who know and collect *Halcyon Days' enamelled* boxes might like to know that Susan Benjamin, who owns the company and who single-handedly revived the art of Battersea enamelling, is now making ceramic miniatures much as they were first made at the Chelsea Porcelain Factory in the 1750s. These exquisite trifles look set to become just as much collectors' items as the boxes before them. Prices start at about £85 for some of the seals, while some of the scent bottles are as much as £360. Each piece is fitted with gold-plated silver mounts and many are set with precious stones. Most distinctive perhaps is the 3 in high cheetah scent bottle, above, with a nine carat collar set with rubies. It costs £360. Halcyon Days is at 14, Brook Street, London W1

PROPERTY

Climb every fjord, lake and forest

Audrey Powell looks at the market for second homes in Norway

FOR MANY Britons, a holiday home abroad means an apartment in a beachside development in southern Europe. Norway might seem an unlikely alternative. Yet, half its population scamper off to second homes – in their own country – whenever possible during the summer. Why shouldn't the British follow suit?

There is no shortage of cabins or space on which to build, around Norway's fjords, lakes, mountains and forests. After all, the country has only 4m people.

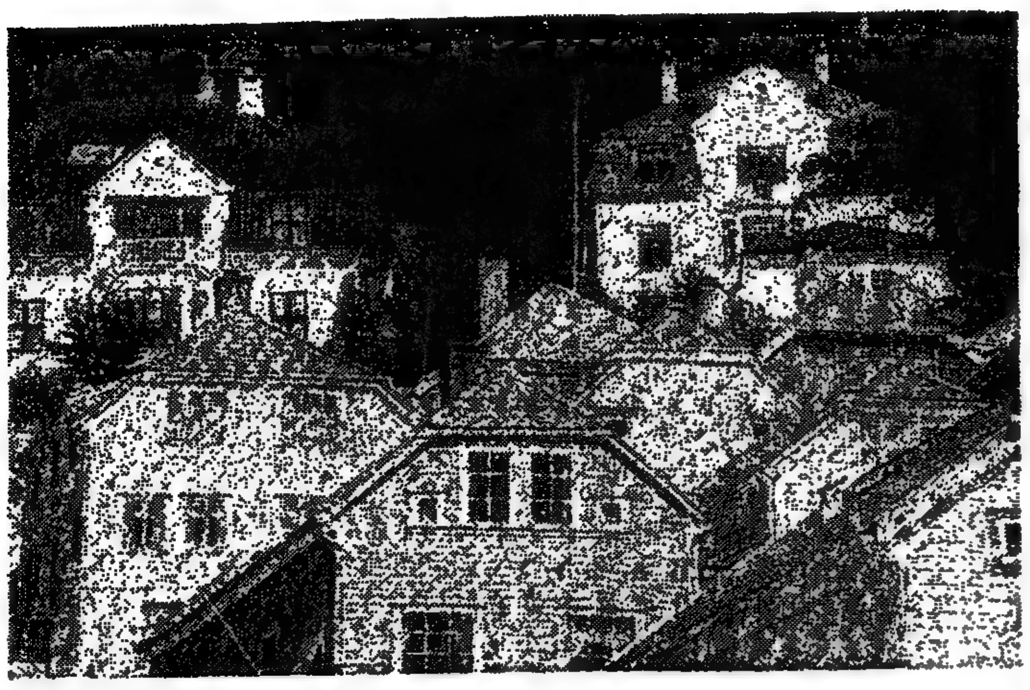
In a district such as Rogaland in south-west Norway, where the fjords begin, you could have spectacular scenery, sailing, walking and fishing at your door along with all the opportunities you want for photography, painting or just relaxing undisturbed with a pile of books. Buy in the right place and you could come back for the skiing.

But why suggest Norway at this time? One reason is its increasing ease of access. A British Airways flight from London to Stavanger, in Rogaland, takes 105 minutes and costs from £142 return.

From Stavanger's wharves, fast passenger ferries, with interiors like aircraft, run with the frequency of bus services over a network of routes to island and mainland coasts. Under an hour should see you stepping off at the quay-side nearest to your holiday home. Similarly, a fleet of car ferries crosses fjords and sounds.

Norway has a history of changing fortunes: fishing, canning, agriculture, shipping, hydro-electric power and now oil. (Its North Sea fields produce nearly as much as Kuwait). But fishing and farming have lost their importance, so fishermen's waterside cottages and farm properties are becoming available for leisure living. Also, the improving road system is making once-isolated villages accessible.

Meanwhile, the property market has been going through a recession, triggered partly by the fall in oil prices and tax changes. Some house prices have dropped 15 to 20 per cent in two years. You are told of a new block of apartments in Haugesund, a former fishing port north of Stavanger, where prices have been halved.



A typical Norwegian hillside home

Norway's streets of weather-boarded houses make an interesting change from brick or stone. Whole groups may be painted white, with red tiled roofs, or individual properties may be a rusty red, with door and window frames and barge-boarding painted white.

Holiday homes range from basic wooden chalets at £13,000 to lush villas on their own islands, built to a buyer's wishes and costing perhaps £300,000. (These would certainly have a pole for flying the national flag and a pool – not for swimming but for keeping fresh a supply of crab and lobster caught in the owner's pots).

Norway has hundreds of islands. Vacation homes on these might be £60,000 up if accessible only by your own boat, or £120,000 if they could be reached by car via bridges or ferries.

A typical holiday home would be built of wood, with several bedrooms and a family room with fireplace for burning logs in the evening. It would be single storey with a verandah and some land, and might be £45,000. But you might find a boathouse to convert; one, made already into a summer home and reached easily by ferry from Stavanger, is £115,000. Also available is a weather-boarded bungalow amid dunes on the edge of a sandy beach, 20 minutes' drive from Stavanger.

It has a cluster of conifers behind and the open sea in front: a sort of breezy north Cornwall setting. With a large sitting room, two bedrooms, a timber terrace and some land, the price is £120,000. But you would have to pay just over £4,000 more to cover part of the estate agent's commission, government tax – and a licence.

The authorities keep an eye on the use of housing and a holiday home needs a licence, but these are refused only rarely.

If you prefer something rural, you could be offered a farm property with a grassed roof. The owner of one at Suldal (cosy with its beamed and boarded interior) had scattered cornflower seeds on the roof; the result was blue flowers bobbing in the wind, as on a lady's hat at Ascot. (Such roofs should comprise six layers of birch bark, then a layer of turf upside down, with a top layer of grass. They are said to last for 30-40 years).

Suppose, though, that you were one of the 80 nationalities working in Stavanger, and needed a permanent home. Flats start at around £40,000 while a three-bedroom, 1960s' timber house, high on a suburban hillside looking out over water, could be £160,000. It would have a double garage and garden.

By contrast is a three-storey white weather-boarded house in Old Stavanger, with its intimate, cobbled streets. Here, 150 such properties, built around 1850 for the fishing community, have been preserved.

This one would seem a bargain at £80,000 although its architect owner has ripped out most of the interior; that would have to be restored.

Only lawyers or qualified estate agents may sell property in Norway but many banks have estate agency divisions. The houses mentioned are with the Bergen Bank's agency at Kongsgardbakken 1, Ankerbygget, 4005 Stavanger (tel 04-63-84-68), where English-speaking negotiator Espen Opsanger is also prepared to search for specific types of property.

The bank has another estate agency at Haugesund (tel 04-71-91-00), which offers some substantial properties for businessmen who go there with families. A five-bedroom, Dutch-style, white rendered house in a professional area has three living rooms and a basement flat for £130,000.

Or, as an example of a modern home, there is a long house with a dark-stained, timber-clad upper floor and rendered lower floor while the roof is red-tiled. It has a first-floor sitting room with balcony plus four bedrooms, two bathrooms, recreation room and garage. Price: £100,000. The Bergen Bank's London branch can arrange mortgages but does not handle property.

Norway has many links with the UK. Stavanger is twinned with Harlow, Essex, and nearly 30 British/Norwegian societies are listed, amid a wealth of information, in the Norway Official Guide 1989 (£3.95 plus £1.25 p&p from Springfield Books, Norman Road, Denby Dale, Huddersfield HD8 8TH).

Norwegians are friendly and learn English at school, so communication is no problem. But they have a puritan streak and tax cigarettes and alcohol heavily to discourage their use; thus, forewarned visitors take their own. The weather is changeable, much like the English Lakes or Scottish Highlands.

So what is it like to have a second home there? Ronald Archer, a London-based Unilever director, is well-qualified to say; his family has had one for more than 100 years. These days, Archer's brother-in-law owns the house on a hill near the village of Sand and close to the Suldalslagen, in Rogaland, one of the country's finest salmon rivers. But it is used by the two families every summer (at other times, it is let to the local Lions Club, a community service organisation).

Archer says Norway is in his blood. It has its problems, of which the weather is not least, but when it is fine "it is very fine and the days are lovely." He admits the cost of living is high but "we take our meat [with us] and put it in a big freezer."

According to Archer, having a summer home there gives you a "holiday in depth" as opposed to a superficial one on the Mediterranean. And he declares: "Nothing is more glorious than being up on a Norwegian mountain, on the right day, with the place entirely to yourself."

Hungary's peasant village at Szekesfehervar: the only winner from eastern Europe

Conservation

Europa accolades

THE UK went some way towards losing its bad conservation record by winning the most accolades in the pan-European conservation and restoration stakes.

Europa Nostra, the international federation of associations for the protection of Europe's cultural and natural heritage, awarded honours to entries ranging from Whitley's store in Bayswater, west London to the 18th century Chinese summerhouse at Amesbury Abbey, Wiltshire. There is even a diploma for re-sanding the coastal dunes on Cornwall's Lizard peninsula.

More than 40 per cent of entries were from the UK, which scooped 19 out of 42 diplomas and two out of eight medals.

The countless "before" and "after" dossiers sent in for this competition (sponsored by American Express) are a good gauge of the best work an old continent offers. It is a shock that after 45 years "before" can still mean war damage, at Doorwerth Castle near Arnhem, Holland, and the Franciscan-Bernardine monastery in Poznan, Poland. It also means recent fires, such as that in 1984 which wrecked the south transept of York Minster.

Large period houses in town and country are always popular candidates for restoration. The end result is prestigious, but often new uses must be found. J. Rothschild Holdings has turned Spencer House (former London seat of the Princess of Wales's family) into offices, with a view over Green Park.

Some winning houses are open to the public, such as William Adam's House of Dun near Montrose (a superb job by the Scottish National Trust) or Doorwerth Castle in Holland, restored by the Gelderland Castles Trust and now the National Hunting Museum. In Belgium the Government put Bilzen Castle up again, after it burnt down in 1971. It is now a cultural centre.

Callaly Castle, Northumberland, is the rare country house winner that people still live in. Keeping part for themselves, the family has split the rest into flats.

There are plenty of big old buildings besides castles that need treatment. The town salt store of Avignon, France (now an auction gallery) is just one.

The Thermal Baths of Buxton, Derbyshire were used until 1963, though in decline from the First World War. They are transformed now into the Cavendish Arcade (shops and restaurants) under a vast glass roof.

Cumulative schemes to clean up whole townscapes are very valuable. Chester and Cheltenham, with rolling programmes of work and detailed directives for private owners, score here. Szekesfehervar in Hungary was the only medal winner from Eastern Europe, where 13 peasant houses clustering round an 18th century Serbian church were saved.

Europa Nostra also encourages small projects. Surrey County Council is one worthy winner, for restoring the brick bridge over the river Mole that adds quiet drama to the middle of Leatherhead.

Of the few awards for the countryside, the most important is for preserving the Cantabrian dunelands in Spain as a nature reserve. The National Trust won a diploma for similar work in the Lizard peninsula in Cornwall.

The most spectacular outdoors work is the Trust's restoration of the Sty Head Pass packhorse road in the Lake District. Climbing to 500 m and linking Wasdale and the west coast with Borrowdale and the main routes north, east and south, this road was already old when first mentioned 700 years ago.

Another winner is an old favourite, Kew Gardens, where the Palm House and other buildings, old and new, are now in spanking state.

Gerald Cadogan

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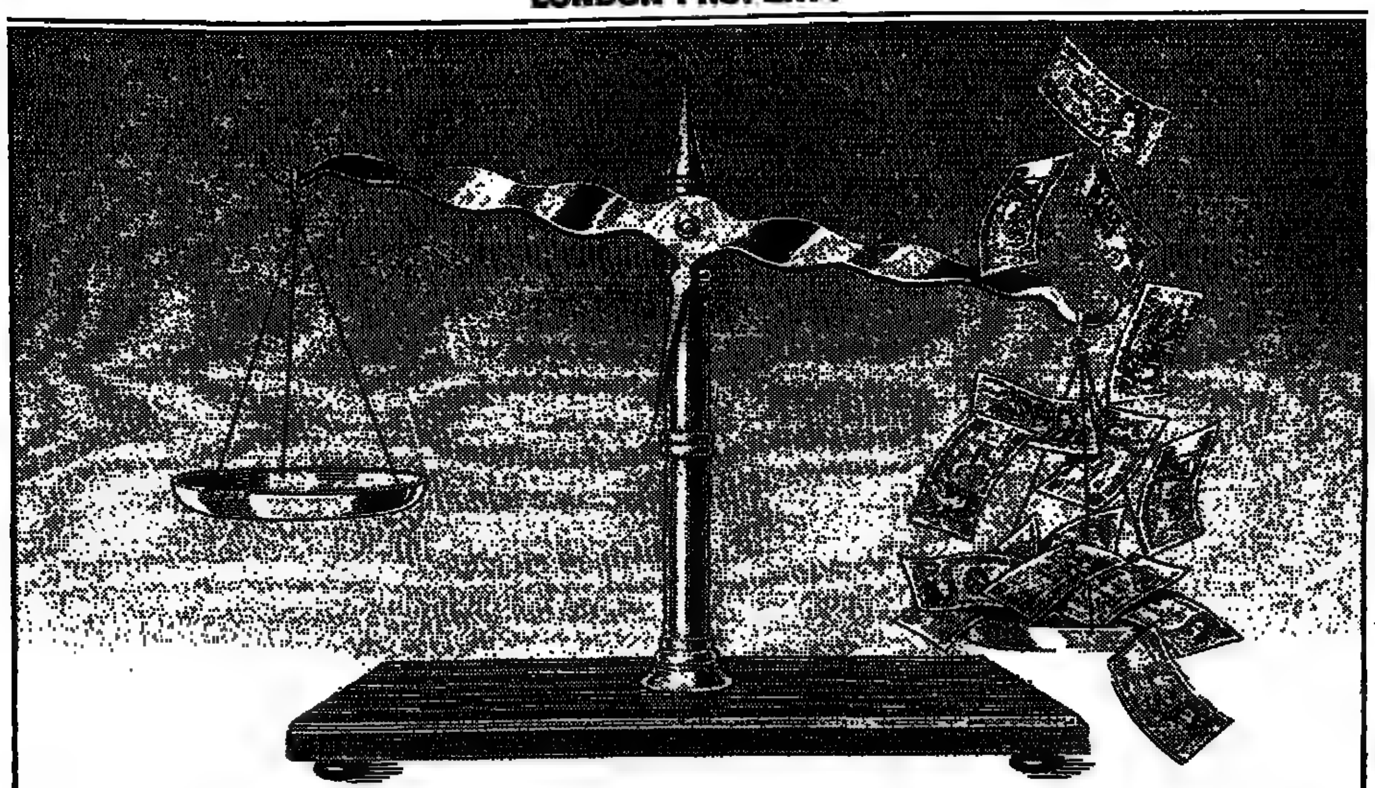

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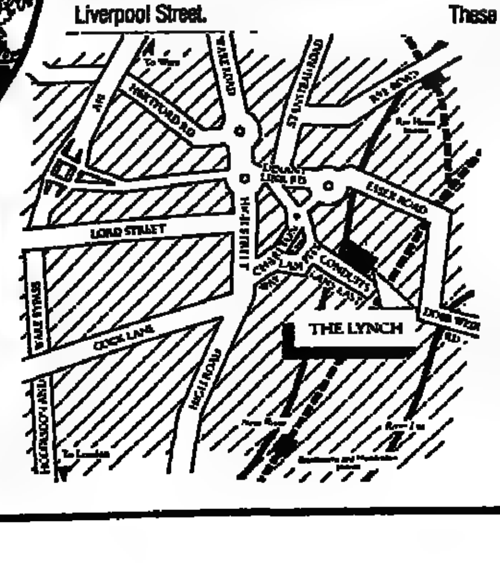

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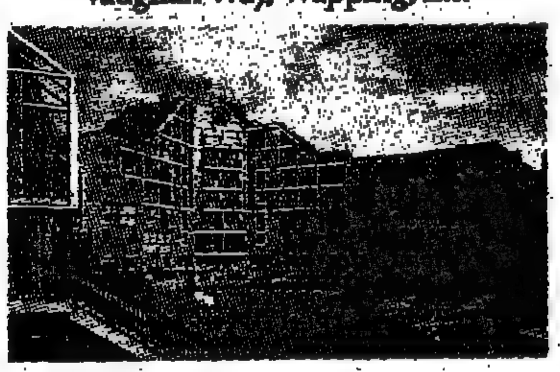
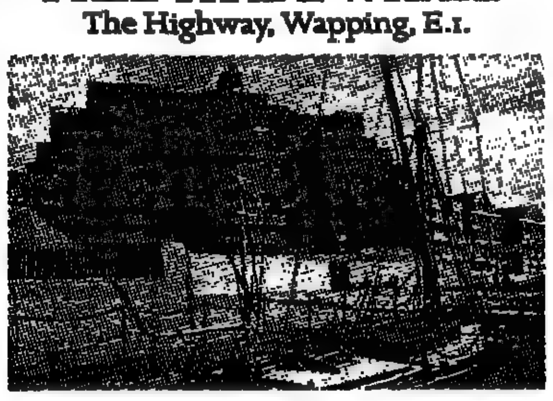
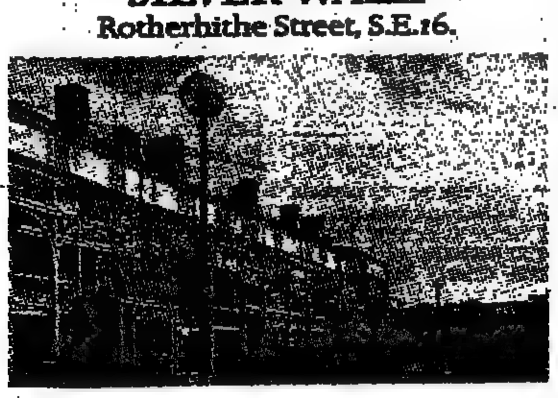
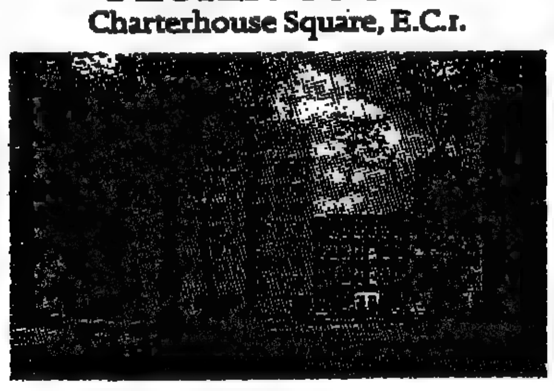
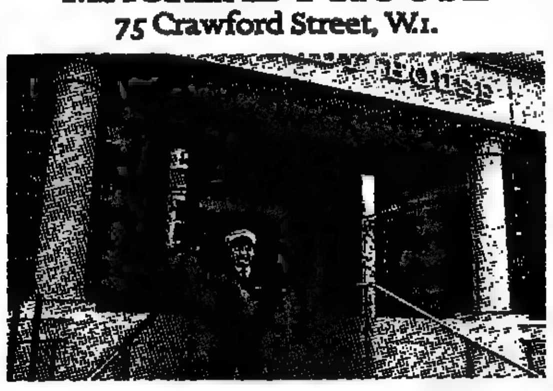
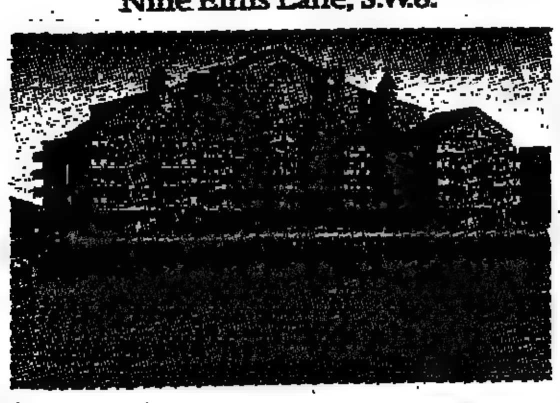
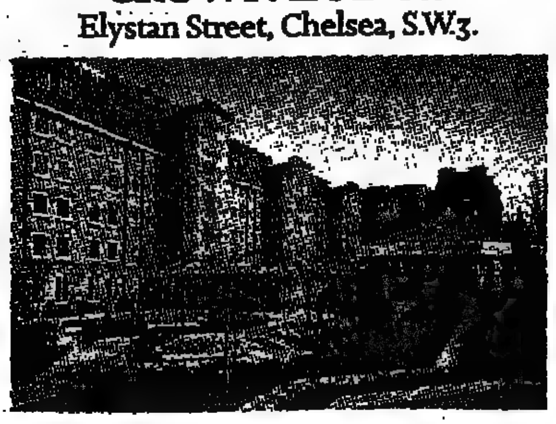
QUAY 430 Vaughan Way, Wapping, E.1.  £55,000 to £160,000*	**GLADSTONE COURT** Regency Street, Westminster, S.W.1.  £92,000 to £143,500*	**FREE TRADE WHARF** The Highway, Wapping, E.1.  £73,000 to £212,500*
SILVER WALK Rotherhithe Street, S.E.16.  £68,750 to £92,500*	**FLORIN COURT** Charterhouse Square, E.C.1.  £41,000 to £87,500*	**MACREADY HOUSE** 75 Crawford Street, W.1.  £84,500 to £180,000*
ELM QUAY Nine Elms Lane, S.W.8.  £90,000 to £236,500*	**CROWN LODGE** Elystan Street, Chelsea, S.W.3.  £106,500 to £304,000*	**THE FALCONS** Grant Road, Battersea, S.W.11.  £42,875 to £70,250*

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BOOKS

The other side of the Wardrobe

A pruning knife has been taken to the Lewis cult, says ***Anthony Curtis***

I WAS lucky to be an undergraduate when C.S.Lewis was in his prime in the wartime and post-war years at Oxford. My tutor Hugo Dyson – a "source" for A.N.Wilson – was one of Lewis's closest friends. He was present on the famous occasion when, after tramping round Addison's Walk until 4 am, Lewis became convinced that all creation was "myth-woven and elf-patterned," leading to his conversion to the Christian faith. Dyson comes into this biography quite a bit. I remember the time when he told Lewis: "You get your pupils firsts, Jack. I get mine jobs" (not true in my case). To which came the immediate reply: "I don't even do that nowadays, but, you know, my pupils marry awfully well."

Whether in formal disputation or in his favourite setting of the Eagle and Child, tankard in hand, Lewis was as quick on his feet as Oscar Wilde. It was his blistering wit that made him such a formidable apologist in Screwtape, in his broadcast talks, and especially live at the Oxford University Socratic Club. There was the time when C.E.M.Joad of the Brains Trust was invited to be the paper speaker, sharing the bill with Lewis. People turned up in droves. Soon Joad was to be observed gazing ruefully at his stumps spreadeagled over the crease.

Wilson describes Lewis as having a bullying police-court manner, inherited, he suggests, from his father, Albert Lewis, a Belfast solicitor who frequently represented the prosecution in criminal cases. True enough, but Wilson does not do full justice to Lewis's flow of merriment in conversation. He was a marvellously rewarding talker, a difficult trait to bring out in a biography unless you happen to be Boswell.

Lewis died on November 22, 1963, the day that President Kennedy was killed. Like Kennedy, Lewis belongs now to the public domain not just to Oxford legend. He is a cult in the US with two rival factions attempting to canonise him, and a box-office hit in London thanks to *Shadowlands*. The memories I have of Lewis as a brilliant lecturer expounding the obscure Renaissance humanists and the Cambridge platonists do not give me any particular edge in judging this biography; all I can say is I recognise here much of the man I remember.

Wilson, who never actually met Lewis, has talked to many people who knew him well: Douglas Gresham, Lewis's stepson who has published his own book, Jill Freud who as a schoolgirl lived at the Kilns in Headington with Mrs Moore and Lewis on whom she had a schoolgirl crush, and Christopher Tolkien who has spent the best part of 30 years editing his father's papers. There are also the Lewis Papers which Wilson has used. This is a vast family archive, much of it unpublished, compiled by Major Lewis (Warnie), Lewis's brother, who after early retirement also lived at the Kilns.

But this is not to suggest the book is over-weighted by research. On the contrary, it is lean and lively. Wilson takes Lewis on and with him the Lewis cult, not with a hatchet but with a pruning-knife. He cuts through all the pious cackle to the heart of the matter. There had to come a moment when, in spite of his crushing bons mots ("Nonsense doesn't cease to be nonsense when it is talked about God"), Lewis received his intellectual comeuppance in a city bristling with linguistic philosophers.

According to Wilson, the moment came after Lewis's book *Miracles* had been published, in the Hilary Term of 1948. The Socratic Club announced: "Miracles – A Reply to Mr C S Lewis. G E M Anscombe" and Lewis agreed to reply to the Reply. Like Lewis, Elizabeth Anscombe was a heavyweight, but unlike Lewis she was a professional philosopher. They slugged it out together for an hour or so, at the end of which, groggy and humiliated, Lewis had lost on points.

Wilson sees this as the end of Lewis the apologist and the beginning of Lewis the children's novelist. He went back to the Wardrobe, in other words the world of his Ulster childhood, and in a rich, fluent

C S LEWIS: A BIOGRAPHY
by A N Wilson
Collins £15, 334 pages

burst of the imagination, created Narnia. There really was a wardrobe full of fur coats. It stood in the the bedroom of the house in Belfast where the Lewis brothers were brought up, and it is now in the Lewis room at the University of Wheaton, near Chicago, where Wilson has been to see it.

The horrors of Lewis's boyhood are already familiar to us through his own memoir *Surprised By Joy* and the previous biography by Hooper and Lancelyn Green. Wilson takes us again though the traumas of Mrs Lewis's death, the terrible prep school to which Lewis was then sent, afterwards joining Warnie at Malvern. Release came when an old family friend became his private tutor and his outstanding ability was at last recognised. Wilson has an interesting revisionism of the memoirs. He sees the relation between father and son less one-sidedly and has some good words to say for the father.

When he comes to Mrs Moore – "Minto," Lewis's "adopted mother" – who was the mother of a friend killed in action whom Lewis had pledged he would "look after," Wilson probes Lewis's reticence. Wilson thinks that at one time they must have been lovers, and that his enslavement to her for the rest of her life was due to a sado-masochistic tendency. Another explanation might be that he was a charitable, kindly man who felt that it was up to him to help with the housework. Certainly of all Oxford domestic arrangements, those of Lewis, divided between his rooms in Magdalen during the week and the Kilns at the weekend, were the most curious.

Wilson also gives us some fresh light on Joy, the American admirer whom Lewis married after the death of Mrs Moore. She emerges here as a rather less tactful and more outspoken lady than the heroine of *Shadowlands*. Wilson's account of their wedding, which Lewis had the greatest difficulty getting solemnised, hoist with his own doctrinal petard, and of Joy's reprieve from cancer, corrects and extends those by Lewis. This is the fullest and most readable portrait we have had of him since Humphrey Carpenter's in *The Inklings*.

A unicorn of literature

David Pryce-Jones on the man behind Lolita

VLADIMIR NABOKOV'S letters are first and foremost a pleasure to read. Playfulness and elegance abound. *Lolita*, the novel that coined the word nymphet, is "this great and coily thing." Somebody's praise warms "the rattles of my old heart." Comparing himself to the Soviet citizens among whom he might have expected to live and die, he writes, "sometimes I feel as if I had disappeared behind some dove-gray horizon while my former compatriots are still sipping cranberry drinks at a seaside stall." Such unlikely but unforgettable images are his essence.

Nabokov was essentially a private and domestic man, and these letters contain nothing confessional. The few that are addressed to his wife or his son (the willing editor), to his mother in Prague or his sister in Geneva, reveal someone affectionate and – dare one say it – happy. Very much the nobleman, he was never going to complain.

After Lenin's seizure of power, he lived in Berlin or Paris. The further move to America was in the nick of time, in 1940, when he had nothing much more to sustain him than a reputation as a promising author in Russian émigré circles. Literary fashion was then against him, in that novels were supposed to be realistic, socially conscious or

VLADIMIR NABOKOV: SELECTED LETTERS 1940-1977
edited by Dimitri Nabokov and Matthew J Bruccoli
Weidenfeld and Nicolson £29.95, 582 pages

progressive in the manner of John Steinbeck and Hemingway. Nabokov wanted to depict the world in his own images. How he managed to impose himself and give the novel a new lease of life is the binding theme of this volume. It is an epic story of success.

The unsung heroes are the American editors and publishers who recognised him and were prepared to accommodate to his character, to understand that behind what might have looked like posing or boasting lay fortitude and integrity. Katherine White, then fiction editor of the *New Yorker*, launched him, and the critic Edmund Wilson became a valuable friend, though primarily because he was under a sentimental illusion about all things Russian, including the Revolution.

While still unknown, Nabokov received a letter from one of the great panjandrums accusing him of submitting to his magazine work inferior to that which he sent the *New Yorker*. Nabokov returned a large advance, and wrote, "your letter is so silly *and* rude that I do not think I want to have anything to do with you." That is how to treat them, but how many dare to do so?

During the difficult years, Nabokov supported himself by teaching and a number of letters are addressed to academic colleagues on his special subjects of Russian literature and lepidoptera, "leps" to him, butterflies and moths to us. Towards the end of the 1950s, *Lolita* famously edged into the world via the Olympia Press in Paris, run by Maurice Girodias. Relations between the high minded Nabokov and the very low minded Girodias could only disintegrate into farce, most enjoyable to follow closely.

Becoming a household name, Nabokov seemed to let himself go. A fine careless rapture enters his letters. He becomes more insistent than ever that his work is to be published exactly as he wants. He declares that T.S. Eliot and Thomas Mann are fakes, that he will have nothing to do with Bertrand Russell or Sartre. Pasternak's novel *Dr Zhivago* is "trashy, melodramatic, false" because of elements of Soviet apologia which are undoubtedly in it. This judgement led to the public quarrel with Edmund Wilson, but their extraordinary correspondence has been omitted here, presumably because it is available in another volume.

To take these flights at face value would be to dismiss Nabokov as crochety or worse, so missing the essential purpose of play. For Nabokov, there was room in literature for games, puzzles, acrostics, anagrams – his own name became *Vivian Darkbloom* or Vivian Bloodmark. To a well meaning questionnaire asking "does a writer have a social responsibility?" he gave the one word reply, "no."

Exaggeration, fancy, a delight in language, led him to hit out like a jester with a bladder at those who would improve us, whether we liked to be improved or not. When it mattered, his heart was in the right place; as Solzhenitsyn was expelled from the Soviet Union, Nabokov wrote to him, "I was happy to learn today of your passage to the free world from our dreadful homeland," and to hope that they would meet. Nor was he quite so unpolitical as he maintained, for instance robustly finding "anti-McCarthyists much more repulsive than McCarthy himself."

I think of him as a creature of fable, a unicorn perhaps, wandering by the hazard of history into our literature and leaving on it a mark unlike any other.

Hail to the Chief

THERE WAS no better person than Fatima Meer to write Mandela's authorised biography, declares his wife Winnie on the dustjacket and in the foreword of this volume, which has been rushed through the presses to catch history in the making.

Well, it ain't necessarily so. Mrs Meer is a distinguished sociologist based in Natal. More relevantly, she is a long-standing friend of the Family and a leading activist in the Struggle. As Nelson Mandela prepares to accept his freedom after 27 years we could have done with a proper biography to follow Mary Benson's version in Penguin.

Of course, it is pretty impossible to tell the life story of an elderly man who has been locked away since his early forties; consider, too, whether the details of the dramatic days when he was the "Black Pimpernel" on the run could be told without betraying the South Africans who helped him. It is even more difficult if the biographer is herself committed to the promotion of his political movement (she is, for example, unable to conceal her hostility to the rival Pan Africanist Congress).

HIGHER THAN HOPE
by Fatima Meer
Hamish Hamilton £15.95, 429 pages

Nelson and Winnie on their wedding day, 32 years ago

Nevertheless, it has to be said, first, that this is not a new book – it came out in 1988 in South Africa, has been given a scrambled postscript for this edition and has apparently been vetted and approved by its subject.

Secondly, as biography this is simply inadequate; it is hard even to find the great man's date of birth and the rare human images (for example, of the young Nelson and Kaiser Matanzima, his close friend who went over to the Bantustan system, foxtrotting to Victor Sylvester) only whet the appetite for a real portrait. His childhood in rural Transkei is mere impression, his motivations as a young lawyer in Johannesburg are vague and, inevitably, the detail of the long prison years is very thin.

In sum, there is never any sense of the living existence of a man who has become one of the heroes of our age; it is not just a portrait without warts, it is Hamlet without the Prince.

(Except for one moment when Mrs Meer visits him in prison – his familiar photograph on posters and in the papers is of course nearly 30 years out of date: "Mandela is a youthful 71 today: tall, debonaire and without a trace of fat on his lean frame. His hair is flecked with grey; his face remains unwrinkled; he smiles readily and often, his eyes crinkling at the corners; his laughter is deep-throated and spontaneous. He is as handsome today as I had found him hours before his arrest in 1962." We shall see . . .)

Winnie emerges much more real, not just because she is available but probably because the original project seems to have been for Fatima Meer to work with her on her own story. Again, there is no adequate effort to get to the truth as opposed to projecting a positive image for the world. The picture of a pretty girl struggling to cope with oppression and persecution is striking but her deteriorating reputation in the 1980s culminating in scandal and murder in 1988 in Soweto are briskly brushed under the carpet.

What is left? A reminder of the stature – we shall soon know much more – of someone who may be a great man. That assessment, paradoxically, is the impression that emerges through the confusions of this inadequate book. If in the months ahead Mandela shows he is able to forgive the White man who has wasted the better part of his life, he is surely something like a saint. Which, I suppose, explains why he inspires hagiography like this.

J.D.F. Jones

Fiction

Big trouble for a Messiah

HISTORY, AND particularly Jewish history, has been punctuated by messianic movements. A long view might be that this has something to do with the desire, not just for a liberator from enslavement or deprivation, but also for a figure who will bridge that dangerous gap between dependence on parents and dependence on an unknowable god. At some level, most people need someone to take over from their parents. It is that conjunction between political and spiritual need which gave birth to the 17th century Jewish messianic leader whom Bernice Rubens fictionalises here as Sabbatai Zwi.

The story takes a familiar course. A Polish rabbi is told in a dream that the Messiah is at hand: in 1662 Sabbatai is born to a poulterer's wife in Smyrna. He is marked out at birth as a special child. He suffers fevers, trances. Social and family expectations grow as he becomes a great scholar, an overbearing manic and impossible depressive. He is revered and reviled. The movement grows. He arrives at the court of the Sultan to claim his kingdom but, betrayed at the last, he avoids crucifixion and takes the turban. He cannot live with his apostasy and dies, apparently reconvinced of his divine role.

The sub-text is, of course, clear. But what Bernice Rubens is interested in is not just the historical need for redeemers so much as the psychopathology of a man who is victim of his society, his family and his own mental frailty. It's bad enough if your mother marks you out as a lawyer or a doctor, but if you turn out to be My Messiah, you're in big trouble – and so is the family.

Sabbatai's mother believes completely in his divine role; his brothers are torn between doubt and faith. Sabbatai marries and renounces two wives: his only real lover, before he embraces the debaucheries of the possessed fanatic, is Saul, the son of the Polish rabbi whose prediction opens the story. Saul is also playing out his own destiny, having escaped a pogrom willingly embraced by his father, in stark contradistinction to Sabbatai's evasions.

KINGDOM COME
by Bernice Rubens
Hamish Hamilton £13.99, 312 pages

At the crux of the novel is the tension between Sabbatai and his father, Mordecai, who cannot accept his son as the redeemer but who never withdraws his complete faith in him as a normal beloved son and who suffers, therefore, as all parents do for the independence of their children. Sabbatai knows that for Mordecai "the Messiah was but the divine idea of redemption, an idea that must never assume flesh and blood."

Bernice Rubens writes from an ultimately rational viewpoint, but she is a skilful writer who can convey the authenticity of religious feeling as well as imply its psychological underpinnings. By using an historical event and interweaving biblical language with very modern insight (as well as many deliberate anachronisms of speech and reference) she broadens the scope of the story to pose questions which are as relevant now as ever. We do not have to look too far to find modern leaders who increasingly assume messianic postures. Why do we need them ? What do they think they're up to? What of their families?

This may not be Bernice Rubens's best novel: there is sometimes an unease in the unsettled tone, a slight sloppiness in the adventure of style, but it fascinates by implying answers to some serious questions about the nature of, and need for, and the wreckage wrought by, powerful personalities.

Mary Hope

Po-faced look at the brain

EDWARD DE Bono warns us straight away. On page one, he writes that "There are probably no more than two dozen people in the world who would really understand (at the most fundamental system level of brain mechanisms) why I claim such significance for humour."

This tactic is what a Welsh rugby coach memorably described as getting your retaliation in first. The message seems clear – we are dealing with complicated stuff here and you could join the elite by reading it. But if you do not understand or agree, it is probably your *fault*, not the author's.

Mr de Bono's thesis centres round the limitations of logical thinking and the system of solving problems through argument. A syllogism is only as good as its premises; argument entrenches positions rather than changes them. A new way of thinking – what he calls a new Renaissance – should be developed, based on the way that the brain actually works. Computers cannot react with the information they use but the brain is a self-organising system which is changed by the act of receiving information. According to Mr de Bono, the brain "encourages incoming information to organise itself into a series of stable states that follow one another – the formation of sequences and patterns."

"I AM RIGHT, YOU ARE WRONG"
by Edward de Bono
Viking £14.99, 293 pages

The book has interesting passages but there is something about its tone and organisation that repels. It may be an ironic counterpoint to Mr de Bono's patterns that he continually repeats his examples. But to promise a section on hodics (whatever that is) throughout the book only to announce on the last page that he has decided to remove it, reveals sloppy writing and editing.

And for a man who insists on the importance of humour, he seems utterly humourless. No-one with a funny bone could write such po-faced material as "Someone tells you that your accountant has defrauded you. You listen and then say 'po.' This means 'I have taken in what you have told me but I am not switching into an emotional or reaction pattern right away.'"

There are many passages that appear to bolster the author's ego rather than to inform. Lateral thinking, he tells us, is now included in the Oxford English Dictionary, *though inadequately defined*. A Cambridge lecture he gave had one of the largest attendances on record. One page describes how the organiser of the 1984 Olympic Games had found inspiration from Mr de Bono's lectures on lateral thinking; later the story is repeated as an excuse to attack *The Independent*.

By the end, my feeble brain had spotted one of Mr de Bono's patterns. The image is of a guru, appreciated by his public but denied proper recognition by the media and the establishment. As Jonathan Swift said "When a true genius appears in the world, you may know him by this sign, that the dunces are all in confederacy against him." The title of the book may be more revealing than the author intended.

Philip Coggan

Sleuth in the making

TO THE outsider it might seem easy to devise a successful literary sleuth: you give him an exotic name, some catchphrases to repeat, a few quirks in dress or in eating habits. And *voila!* Elementary! Just use a few of the little grey cells. But, as Anne Hart's thorough and perceptive study of Dame Agatha's own Poirot amply demonstrates, the process of sleuth-making is not so simple as it can seem and the Belgian genius is far more than a funny-looking man with an egg-shaped head, a conspicuous moustache and a strong dislike of *le five o'clock*.

Mrs Hart covers the ground thoroughly and from various angles. First, she runs chronologically through the formidable Poirot canon (33 books and 56 stories), then she examines various aspects of Poirot's character, his set of mind, his choice in friends. She does not neglect the distinctive idiosyncrasies, but she looks into deeper, more significant tastes, including his taste in crime itself.

THE LIFE AND TIMES OF HERCULE POIROT
by Anne Hart
Pavilion £14.95, 264 pages

The author also underlines the changes in Poirot's world – reflected always in the adventures – over the decades in which the detective operated. In the course of his career, Poirot saw certain favourite scenes of crime alter or vanish: the great country houses fully equipped with observant staff, the luxury international trains have disappeared. If Poirot were still functioning he would probably be asked now to investigate computer crimes.

Complemented by a scrupulous bibliography, a list of Poirot film and TV adaptions, and a useful compilation of references, Anne Hart's handy study is not the usual, patronising piece of parody scholarship, in the Baker Street Irregulars vein. It is a genuinely studious (but thoroughly readable) work. The reviewer can think of only one (frivolous) mystery left unsolved: how could a gourmet like Poirot, master of the perfect omelette, merciless critic of carelessly-prepared meals, harbour such a persistent affection for that dreariest of foods, the vegetable marrow?

William Weaver

The troupes are in trouble again

Artistic finances are in turmoil, says Antony Thorncroft

JUST THREE months after the Minister for the Arts, Mr Richard Luce, staggered the arts world by announcing an unexpectedly generous increase in the Government grant for the arts for 1990-91, most of the major theatre, opera, dance and orchestral troupes in the country seem to be in a state of severe financial crisis.

This week Terry Hands, artistic director of the Royal Shakespeare Company, announced he was closing its Barbican and Pit theatres in London for four months from November in an attempt to stop its current accumulated deficit of almost £3m growing to over £4.5m in the next twelve months and thus threatening the very existence of the company.

At the same time Mr Peter Jonas at the English National Opera is contemplating life without the crucial £1m-plus his company has received in recent years from Westminster City Council, while Jeremy Isaacs at Covent Garden has hardly finished settling a taxing labour dispute with his dancers to confront a £3m deficit. He also has the task of somehow raising £40m by the end of the year or seeing his cherished plans for the modernisation of the Opera House slip away.

Only at the Royal National Theatre is it business as usual, although even here Richard Eyre is switching the Lyttelton theatre to a cost saving policy of extended runs rather than the expensive repertory system, which had been the basis of its operation.

The situation is no better outside the Big Four national flagship companies. English National Ballet, another victim of Westminster parsimony, faces both £1m-plus debts and the trauma of losing its artistic and managing directors almost on successive days. The South Bank Board, guardians of the Festival Hall and the Hayward Gallery, also has a £1m shortfall and is pulling in its horns: its attempts at wage economies led to a debilitating strike with its staff and it was unable to deliver the £55,000 backing it had promised for an adventurous season of music by Ligeti.

In the regions one company, Kent Opera, has already shut up shop. Another, the Leicester Haymarket is sacking staff as it contemplates an awesome £500,000 shortfall. The Welsh National Opera and the Hallé Orchestra have severe financial problems, which threaten their planned programmes, as do the two main subsidised theatres in Liverpool, the Everyman and the Playhouse, victims of a financial eye-ball to eye-ball confrontation over funding between Liverpool Council and the Arts Council. Another north western arts institution, Northern Ballet, is so fed up with penny pinching Manchester that it is switching its headquarters to more welcoming Halifax. These are the more vocal sufferers; the arts world generally is in turmoil.

Why? Well, it can be seen now that the Government's aid was too little, too late. The Arts Council, which distributes the Government's largesse, gave the Big Four companies 11 per cent rises for 1990-91 but it had kept their average annual grant increases over the previous four years to little more than 2 per cent. This led to accumulated deficits that are too large to be spray gunned away by a one-off rise which, after inflation, is little more than 3 per cent. Indeed, as Terry Hands says, the extra £179,000 in real terms which the RSC is getting hardly pays for one new production. Most regional companies got just 7 per cent more, no real rise at all.

But haven't we been here before many, many, times, with subsidised arts companies whingeing on about their lack of grants? Yes: and it is unfortunate that the realities of their situation should have hit them so soon after they received a cash injection which was supposed to remove them from the political agenda.

Of course weak management, usually built on the belief that someone – Government, commercial sponsor, local council, rich patron – will step in at the last moment and rescue something as obviously worthy as an arts company from mounting deficits, cannot escape responsibility. The myth that a brilliant creative force can also be an effective manager is dying hard. Both skills suffer. Terry Hands, for example, has to spend two-thirds of a long working day trying to plug financial outgoings and courting sponsors for extra resources while his main expertise is as a director.

But it is odd that the RSC should axe its London base just three weeks after announcing a full programme for 1990-91 and a matter of days before a new artistic director is announced. Undoubtedly over ambitious projects in the past – a couple of years ago the RSC had spread itself over six theatres – and a fall in audiences from over 85 per cent to 75 per cent (due to a fall in artistic flair?) – has played a part in the current shortfall. But on the other hand the RSC exists to perform and there must be general admiration for a company that last summer was entertaining 50,000 people a week.

If the RSC has proved over ambitious in the past Covent Garden is over ambitious in the present. Its new general director, Mr Jeremy Isaacs, is committed to improving the quality of its output and freshening up the repertoire with new productions. He believes that if he can lift the morale and critical acclaim of the House the money will somehow follow. But too many of the new productions have been lambasted by the critics and although audiences are excellent the missing millions have yet to materialise. Jeremy Isaacs is now thinking the unthinkable – cancelling productions.

Peter Jonas is keeping a low profile at the ENO. He still hopes, as does the Arts Council, that Lady Porter of Westminster can be persuaded to maintain her support for the opera company. The Arts Council knows that if the worst does happen it will not have been caused by the ENO's profligacy and it would probably bridge the gap. But if it comes to the rescue of the ENO it will have little money left to help the other walking wounded.

The future for the arts suddenly looks bleak. The Government will be reluctant to provide more cash; the Arts Council has a contingency fund for sudden emergencies but cannot bail out everyone; profit squeezed companies are looking hard at arts sponsorship and are reluctant to take on the Government's funding job; audiences, facing a decline in their disposable income, are cutting back on their ticket buying. One or two arts companies will probably disappear. Most will settle for a safer repertoire, smaller casts, simpler sets, fewer new productions, or co-productions. The arts will lose some of their zing and the nation will suffer – slightly and silently.

Beleaguered bosses of the Big Four: Terry Hands and Jeremy Isaacs (top), Richard Eyre and Peter Jonas

Password to the Pentagon

■ Continued from Page 1

the hacker's calls originated. And it seemed sometimes that US officialdom was about as helpful as if it were on the Bulgarian payroll. After long delays, warrants for phone taps were obtained, but they led in baffling directions, first to Oakland in California, and then to the defence contractor, Mitre, on the east coast. Since the authorities refused to tell Stoll that the trace led to Mitre, he had to deduce this from snippets of overheard conversation and some undercover work of his own.

When Mitre refused to believe that its "secure shop" could be infested by a hacker, Stoll turned poacher and hacked right in (Log on: *Mitre, no password needed*). In 22 minutes he discovered a facility which allowed him (and Hess) to dial any computer in the US, with Mitre paying for the incoming as well as the outgoing calls. For good measure, Stoll connected to one of Mitre's associated computers as *Guest* and discovered that someone had set a Trojan Horse to steal passwords.

In his book, *The Cuckoo's Egg*, already a best seller in the US and due to be published in the UK on Tuesday (The Bodley Head, £12.95), Stoll says of his adventure as a Mitre-hacker: "It felt exciting and forbidden. Any minute I expected someone to send a message on my computer screen, 'We caught you, come out with your hands up.'"

Hess, by contrast, must have felt pleasantly secure, for every time someone caught his antennae in a military computer – they were not all dozy – the trace vanished in a big installation with many hundreds of respectable users, like LBL or Mitre and then from Mitre to Bremen, with many other possible routes and stopping places. But Hess was over-methodical. He tended to use the same route and the same usernames: *Hunter*, *Sventek* and – another clue – *Benson* (password: *Hedges*). This enabled Stoll to piece together his route, bit by bit, until the German Bundespost traced the call back to the final stage: Hess's apartment. Police swooped a few days later.

It was later alleged that Hess worked with two others, Peter Carl and Dirk Bresinsky, who are standing trial with him. They are claiming that the information obtained, some of which Carl admits was handed over in East Berlin, was not secret.

Whatever the court decides, Stoll thinks that their exploits prove that hacking could potentially be immensely damaging to security, even in a period of Cold Thaw. He said in London on his way back from the trial: "Once he is a super user, a hacker can change computer codes. That means he could subtly alter the design of a rocket or an aircraft, in ways that a contractor wouldn't spot . . ."

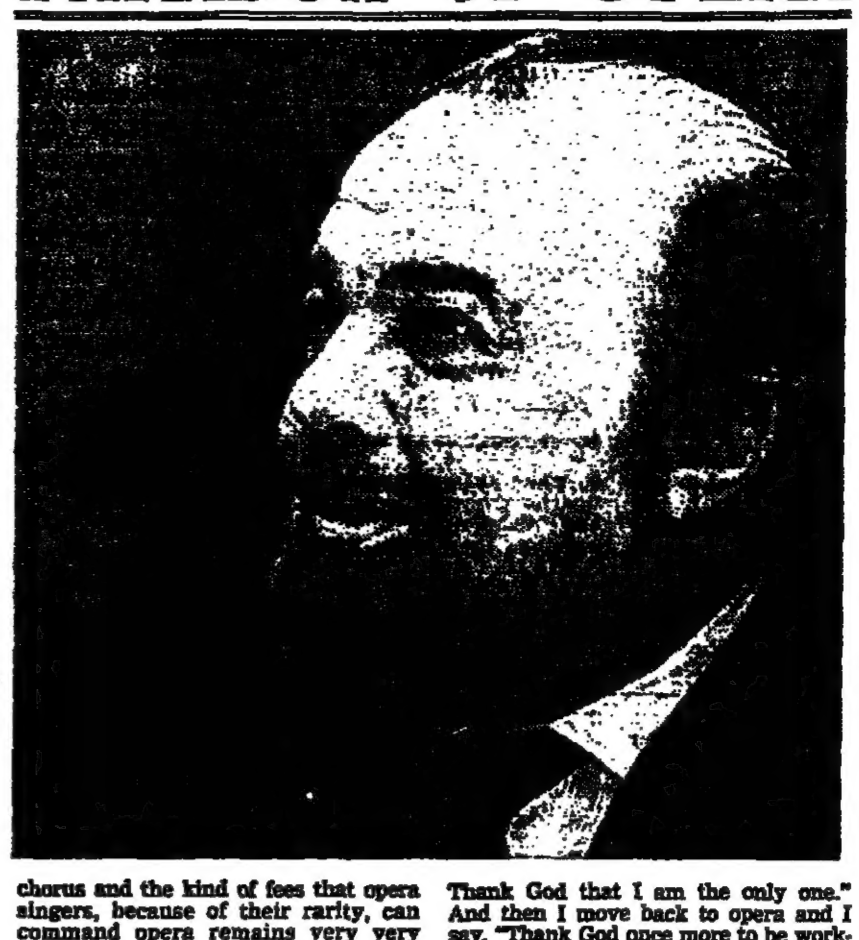
So how easy will it be for the next hacker to become a super cuckoo in a "secure" system? Absurdly easy, perhaps. Most new computers are shipped with the door to super user status flung wide open, because the new owner must be given an obvious log on like *Field/Service* to set up accounts and lists of users. Often, however, managers forget to disable these master accounts or to protect standard passwords like *UUCP*, which modern machines use for talking to each other. Such failings will doubtless keep hackers alight with devilry, as this dialogue between Stoll and a hapless manager shows:

Stoll: "Someone broke into your computer through the UUCP account. He became system manager and added a new account."

System manager: "Well I'll be damned. What's the UUCP account?"

Peter Hall

PARADOX OF OPERA



ONE OF the extraordinary things about emotional expression is that it is inherently embarrassing, not to say repellent. If somebody bursts into tears in anguish in front of you, I think your first human reaction is not, as one would like to think, to comfort them but a kind of revulsion – which is why we directors always say to performers 'If you want the audience to cry, do not cry yourself; if you want the audience *to feel*, be very careful that you are not indulging your own emotions.'

In any expression of emotion in theatre terms, a mask comes into operation which makes it possible to govern and form the emotion, making bearable for us, the viewer, to watch and to apprehend it. In Shakespeare, it is blank verse or the actual form of the prose. In all great writers it is the form of the writing, the rhythm of the writing. Mere naturalism expressed as a shriek of emotion is repellent and not finally very convincing.

In opera we view, perhaps, the greatest mask of all. We pretend that someone singing is not in fact singing but speaking, and we pretend that that expression is their feeling. The convention of opera is therefore as particular and in a sense as artificial as the convention of Greek drama, where we know that the great mask, the full mask over the face, made it possible to scream behind the mask without that factor of repulsion. That is the basis of opera. You take words in an emotional, dramatic situation and you set them in a musical line which will be emotional.

There are many concomitant advantages which the straight theatre cannot have. In a sense, the size of the emotion can already be bigger, because singing expresses both physicality and emotionally a greater level, a greater intensity of feeling. There is also the paradox that it is possible in opera – and the whole of Mozart is built on this basis – to sing to your fellow character the normal social lie of ordinary intercourse, then to take the mask off your character and say to your audience in an aside, "What I really feel is this." So it is axiomatic in Mozart that characters in arias always tell the truth because they are speaking directly to the audience, as do characters in ensembles, often in a quartet, a quintet or a sextet. The characters are saying the same words with entirely contradictory meaning at the very same moment, making us go from one to another as if we were cutting a film. So at the same instant we can have six different feelings: that is the magic of this convention of opera.

The first meaning of opera is undoubtedly the music. You can say that only from the libretto does the composer find what he wishes to express; only from the dramatic fable can he be inspired to compose what he wants to compose. But the meaning as far as we the audience apprehend it resides primarily, in my view, in the music. It is the oldest debate in opera – which is first, the music or the words. The words may come first because they come before the music, but in terms of precedence of experience there is no doubt in my mind that the music comes first and the words a long way second. It is only perhaps in the very earliest days of opera, the dawn of opera, when Monteverdi took a small group of musicians and improvised a dramatic background to what the singers wanted to say, that the words have actually been as important as the music. So there is paradox number one.

There is a lie to this debate about words and music though, a peculiarity in opera. I have often detected that audiences are quite furious when opera means something – particularly Mozart, and especially Wagner. Audiences do love to lie back and allow the sound to wash over them, the music to take precedence to allow them to fantasise so that actual, literal meaning or even poetic meaning is sometimes thought to be quite disturbing.

Another paradox. Are we dealing primarily with a dramatic experience or are we dealing with a musical experience? Again, I feel that the primary course is music. It is only if you can get a complete fusion of the drama with the words and the music that you can actually deliver this hybrid beast called opera – which is more than music, more than drama, more than poetry and which exists in an incandescent way very, very rarely.

It is increasingly popular, which is another paradox. It is theatrically vivid and tremendously artificial, and that in an age of naturalism. Most plays that we see pretend to be documentary actuality. You turn on the television and see something extremely artificial, an electronic image which represents what people were doing some time before in a certain situation. Yet we pretend that it's real, and if they don't actually speak something which is a simulation of naturalistic dialogue, we find it artificial, over the top, not really television. There haven't been many great poetic dramas written for television, nor do I think there are likely to be. Yet opera takes rather grandly to the screen – it's a record of an outside, extraordinary event, and it's artificial – it never pretends to be anything but artificial – and it's popular.

Most surprising of all, the increased popularity of opera is seen perhaps at its height in America, the most naturalistically based place in terms of theatre, cinema and television and I think that paradox, that extreme, is very interesting. With the increasing popularity comes an increasing anxiety, because opera is extremely expensive and likely to become more so. It is labour intensive and very hard to get right; and because it is so expensive it is necessarily elitist, and because it is necessarily elitist by some people it is thought to be socially undesirable, and by others it is thought to be socially flattering.

It is terribly easy to get sponsorship for opera. Those who sponsor feel they are moving into a golden 19th century age where they become the aristocrats in the box. It is terribly hard to get sponsorship for new drama because there they feel they are doing nothing of the kind. So there is another division that you can see in operatic life. The great houses, which for the most part are based on 19th century models and are for the socially elite as well as the peoples' operas, which try to be democratic and much more available, become increasingly expensive because of the peculiar nature of this theatrical form. As you all well know, given a huge orchestra, a huge stage, a huge chorus and the kind of fees that opera singers, because of their rarity, can command opera remains very very expensive. Yet we pursue it eagerly throughout the West.

I believe that the pursuit and the turnover of our repertory in opera and in drama, which has reached almost desperate proportions in the *last 50* years, is very much because we increasingly look to art as a religious experience since socially religion is on the decline. We turn over every piece of work hoping that it has some answer, or at least if it has no answer, that it is asking the right question. So you look at opera and you see us trying to do everything.

This is remarkable and entirely landable, but one of the reasons that we have to do it is because opera may be becoming increasing popular but it is also becoming increasingly old. The repertory is ageing at an alarming rate. I doubt if there are more than half a dozen operas which are absolutely mandatory for the repertory that have been composed since the 1920s. If you look at 100, 110, 120 years ago, opera was truly popular, truly appealed to a mass audience, certainly in Italy and in Germany, and there were masterpieces being added to the repertory at a very great rate. This doesn't happen any more. Why?

I think one of the problems is the general crisis in modern music which, marvellous though much of it is, has become so specialist that a composer now, instead of sharing a lingua-franca, practically has to reinvent music before he sits down to write each opera, so it takes years and years and years for him to write. Certainly he cannot think in terms of months or weeks as Mozart or Verdi could or had to do. So the ageing repertory makes it an even more specialist and rarified art.

The result of all this is to product the subjective school of directors.

Now I detect another extraordinary paradox here. At a time when my musical colleagues are feverishly searching for the first text, the earliest text, the purest text, when we are wondering about original instruments, original sounds, when the style must be pure and historically accurate, at that moment of musical purity – dramatically we are saying, "Well if the man said he wanted a ship, the last thing we must do is give him a ship. What he actually meant was he wanted a bus."

Now, it's easy to make fun of my colleagues and myself on this ground, but all I would say is this: I don't really believe that our job as theatre directors or opera directors is to indulge our own subjective fantasies. It's pleasant, sometimes it works, sometimes it doesn't and no great harm is done because the piece is still there laughing at you if you've made a fool of yourself, but our actual job is to try to discover what the composer, what the writer, meant when they wrote it, and then reinterpret that meaning in terms which our audience will actually understand and accept. That is usually very complicated and very full of contradictions. It is much easier to do a concept production where you set it all in the Weimar Republic or modernise it in some way.

This kind of conceptual work, of courses, releases a type of design which sometimes seems at total variance to the music. For me, the design of an operatic production must look like the music. I find it quite hard to define what I mean by that pretentious remark, but there must be some period reference, although it doesn't obviously need to be archaeologically or antiquely precise in the mode and period of the music. There also has to be some textural reference in that if the piece is about a door, there must be a door: the literal things; these are often neglected. You will see, therefore, that I am not a whole-hearted supporter of my own trade.

I oscillate like a man not sure of his country between opera and theatre. When I move to the theatre I think to myself, "Thank God that I am once more in charge of the tempo and the tone and the atmosphere and the pauses, and how it actually works. Thank God that I am the only one." And then I move back to opera and I say, "Thank God once more to be working in music and to have the collaboration of a great conductor."

Now this is crucial – and there's another paradox. We now expect productions to be at a level of finish and a level of achievement very much the same as we expect in the theatre, but the director's hand is tied behind his back unless he is working with a good conductor. The norm in most large opera houses is that the director arrives, stages the opera, does the moves and then, rather more than half way through the rehearsals, the conductor arrives, begins to rehearse and says "He can't see my baton."

That is the pressure of ordinary opera work, and the kind of staging that you can produce in those terms is a lot of singers like frightened rabbits, all staring at the man in the middle of the pit. They don't look at each other and they are mesmerised by him. Real work on an opera – paradox again – means *that the director and designer should be* together from day one: the way the director stages it affects the way the conductor conducts it and the way the conductor conducts it affects the way the director stages it. It is a total interaction where you discover the work together. Rare, very very rare. Why? Time – pressure – money. The time of the conductor – why should he sit around while the director figures out what to do? He would be better off doing some concerts. So it is very rare, that really proper collaboration, but it is the only way that anything works in opera, which is organic.

Operatic acting against theatre acting is noticeably different, alas, in most cases. I have spoken of singers mesmerised by the conductor. What is very rare in opera, and totally necessary, is that singers play with each other, look at each other, inflect with each other just as actors do. This requires again an enormous amount of rehearsal. Another paradox therefore is that, providing you know the notes and can deliver the notes and sing the notes, you can get away with something which is fairly inept dramatically and actually hardly notice who you are singing with. Six actors recreating a scene together on a stage are entirely dependent on each other for the cue, for the tempo, for the atmosphere, for the mood; if one of them is selfish or ungiving, the scene doesn't work. Not so in a sextet, if music is churning on, but how much better if they actually relate to each other.

In the theatre you have a text – it doesn't tell you how fast it should go; doesn't even tell you where people should stand; doesn't tell you how long you have got to proceed from A to B. An operatic score says *this* is the timing, *this* the dynamic, *this* the atmosphere, this is how long you have, you cannot do anything else. That is what we mean when we talk about being musically literate when you stage an opera; not that you can play the piece, but you respect the timing that is built into the score. So you're given, as it were, the end result and you have to say to the singer, "If that is the end result, what will you have to feel inside in order to make that the end result, the true expression of your feeling?" So you work back to front, the opposite way that you do in the theatre.

The interesting thing is that when you are working with great singers the end result is the same thing. Great acting, which looks quite effortless, looks as if speaking blank verse or singing a *de capo aria* is the only possible way to express that particular emotion. Singers are much like, in my experience, what I would think circus performers are like: athletes, acrobats, people of high physical prowess with a high physical technique who can do something that nobody else can do which is *extremely* difficult; and they are extremely proud of it and, *rightly*, *extremely jealous of* it. So you get the other paradox of working in opera. Actors will rehearse until they drop, singers will never get near dropping – they go home much before, and quite rightly. They have to protect the voice.

So another thing you have to get used to when you are working in opera is that singers can't rehearse out; actors speak out all the time. They find how they breathe and how they live, how they can do the scene. A singer who did that for three hours would have lost their voice and would find it impossible to sing anything for the next month.

I often think when I see the prowess of a cast of top opera singers and the prowess of the orchestra accompanying them what an extraordinary amount of technique, of practice, of talent, of learning has gone into that, and I feel ashamed that the parallel technique, the technique of stagecraft, of rehearsal, of acting, of stage management, of use of the stage, use of the set, is nothing like as high. It could be and it can be, but it takes a great, great deal of time and a great deal of money.

I suppose it's because of that that over the last years we have heard cries from various quarters that we should *blow up the opera houses and restart* the whole idea of opera. Opera houses are 19th century models in many respects: they are uneconomic monsters and even their social structure is a mirror *of the 19th century society*. You have to have the chorus, who by definition are almost second class citizens, because of all those chorus operas.In a ballet company, the corps de ballet are *full* of eager young hopefuls on their way to being socialists . . . I mean, soloists. It is very rare, very rare indeed in an opera chorus to have people who are going to become soloists: they are contributing a necessary, humdrum job because of the nature, the class nature, of much 19th century opera; you have the peasants, or the soldiers or the bystanders giving a little support, while the soloists take the centre stage.

But in a modern opera house the dominant factor, I think, is the orchestra. I know that when you are doing an opera, once the orchestra arrives it's as if a great tank was proceeding to run over your work because it cannot stop, it cannot change, it cannot be altered. The orchestra has a three hour session and at the end of the three hours they stop. So on an orchestral rehearsal of most operas there is only one objective: to get through. So in a way I feel that the opera house is dominated by the orchestra; and then *I look at them*, third class citizens underneath the stage having no idea what is going on on the stage, and I feel sorry. I dream again of Monteverdi and his musicians improvising with the singers for six months and making an opera together. We could not afford to improvise with the London Philharmonic Orchestra for six months.

Another problem is the shortage of singers. It is a paradox that, as opera becomes more and more popular and we make more and more demands on opera singers – *that they can act, that* they can look right, that they are musically expert – there are fewer and fewer singers and more and more opera houses. A lot of wonderful new singers come out of America and a lot of wonderful new singers are coming out of Australia but the demand far exceeds the supply, so to do an opera you have to cast it at least three or four years before you want to do it.

One thing bothers me about modern opera singing. That is its blandness, and I wonder whether it is because of *the needs of the recording industry*. If you listen to the greats on those old, scratchy records you hear them take the most extraordinarily liberties with line and with emphasis in the interests of their own personal interpretation. It is in fact dramatic, unique to them. Now, if you do that on a record it may be very exciting the first time but at the 10th time of repetition it can often, I suppose, irate, so singers are encouraged not to do anything like that, to try and keep the line intact, certainly not to do anything idiosyncratic.

It is very hard to be dramatic if you are not idiosyncratic. It's the essence of it. How Olivier speaks a speech of Shakespeare is quite different to how Gielgud speaks it. I think there is a great plastic blandness settling over things and I think that is anti-drama.

So everything I say makes my case that there should be less opera. I say that aware of the fact that I am putting myself out of work, aware of the fact that I am denying audiences, but it seems to me that we are stretching a very limited resource wider and wider and except for rare examples where proper preparation is the rule, the ordinary repertory opera that you can see in Europe or in America is so undramatic that frequently I would much sooner sit at home and listen to it and just imagine what was going on, because my imaginings are going to be much more fervid and dramatic than what I see on the stage.

Opera *started as a festival activity*, a special activity, and I think it still is one. Only in festival conditions of really long preparation can you get the balance. For instance, one of the great *houses of the world now has a double* cast for everything and oscillates the changes after the first night so you never have the same cast at any of the performances. This seems to me a total demonstration *that* relating to each other, knowing what each other is going to do, is unimportant – and meaning goes out of the window. Unfortunately that kitsch form of opera, which I think it is, which you can snigger at and you say "dear old opera, I love the music but of course opera singers can't act and it's so silly" – does still survive.

So my paradoxes are these: Opera is a theatrical form that puts musical expression first but where the music making is frequently endangered by the drama, and the drama is, alas, frequently ridiculous. It is a fusion of words and music where the words are usually incomprehensible or inaudible. It often has a style of acting which is rudimentary, if not embarrassing. It's a form of theatre where the repertory is mostly very ancient. It's something elitist desperately struggling for populism. It's a sublimely ridiculous art because the suspension of disbelief is so easily attacked, breeding a dreadful tolerance.

But at its rare best it is a complete theatrical expression, and I know nothing which is higher as a form of theatre than opera when it works; which is of course why I try to do it, and why you pay money to see it.

Sir Peter Hall, equally distinguished in the fields of theatre and opera, gave the annual Financial Times Arts Lecture last Monday in London. This is an abridged version of his talk

Experimental master of light

***Anthony Curtis** reviews the Joseph Wright of Derby exhibition at the Tate Gallery*

THE WRIGHT of Derby exhibition which opened earlier this week at the Tate Gallery is the latest in a series of shows there of the work of 18th and 19th century British artists. Compared with previous exhibitions of Constable, Gainsborough, Stubbs, this time the painter is for many something of an unknown quantity.

Wright's rehabilitation began in 1968 when Benedict Nicolson's *Joseph Wright of Derby: Painter of Light* impressed his importance upon the art world, but for most people it has not been easy to see his work as a whole. Now with this beautiful and stimulating exhibition in our midst until April, when it travels to Paris and then New York, there is the welcome opportunity to understand why Nicolson insisted upon the uniqueness and variety of Wright's paintings.

Born in Derby in 1734, Wright remained there for the whole of his life, working as a portraitist, accepting commissions from local friends and acquaintances. He retained the "of Derby" as a trademark even when he had become famous. His affluent Midlands sitters, their wives and children, wear formal attire, a velvet jacket or low square-cut silk dress, painted with a sensuous feel for the texture of the material. It is when he comes to the facial expressions that Wright reveals his insight, as in his portrait of three little girls, two standing and one kneeling. The kneeler is a black girl, no doubt the daughter of a servant. The faces of these children show how completely they have already accepted their stations in life.

From portraits we move to a room full of "candle-lights," representing Wright's most arresting and experimental work. Whereas the drama between the girls was largely concealed within the convention of a formal conversation-piece, in the painting, "Two Boys Fighting Over A Bladder," it has become open, violent aggression. The boy whose ear is being wrenched closes his eyes and stretches back his head in agony. His torment is thrown into sharp relief by the blaze of light on his features from a candle-lit source. His assailant appears only as a sinister, nebulous black shape.

Was Wright a deliberate tenebrist (an artist who depicts objects in heavy shadows) drawing strength directly from Caravaggio? Or,

> *'He was one of those rare people who, while pleasing his customers...pursued his art to its limits'*

as some authorities suggest, was he primarily indebted to the inheritors of that tradition, the Utrecht School? Above all, did he know of the work of Georges de la Tour? There seems to be no evidence that Wright was aware of the 17th century French painter's treatment of candle-light, yet the sense of kinship between them is overwhelming.

Wright made one visit to Italy where he observed Vesuvius erupting, a spectacle he painted many times, but for the most part he was home-based. Among his friends were some of the best minds of the period. His physician was Erasmus Darwin, grandfather of Charles, botanist, chemist and astronomer who wrote a long poem about plants.

Darwin's catholicity of mind was typical of Wright's circle and of many innovative people in the Midlands during this period. Men like Josiah Wedgwood, James Watt, Joseph Priestley and Matthew Boulton were avid in search of new scientific knowledge. They wrote to each other often to this end and from 1764 they formed the Lunar Society to present papers and the results of experiments to each other.

Wright's two finest paintings, both of which are on show, "A Philosopher giving that Lecture on the Orrery in Which a Lamp is put in place of the Sun" and "An Experiment on a Bird in the Air Pump" transmit to us not merely the nature of the Society's work but the excitement generated by a demonstration of it to a privileged group.

An orrery, named after its patron, the Earl of Orrery, was an early kind of planetarium. It showed the movement of planets around the sun in the course of a year. The venue would be in darkness with light emanating from within the centre of the global working model and falling upon the spectators closest to it. Wright captures this brilliantly, as he does in its companion picture where a much crueller experiment is being performed upon a live bird. Wright observes the different reactions of the people watching.

In the rooms that follow there are further examples of Wright's handling of spectacular effects of light: a blacksmith's forge with a piece of iron in a state of incandescence, a rainbow illuminating a lonely country landscape, fireworks at the Castle St. Angelo, Arkwright's

'A Philosopher giving that Lecture on the Orrery,' one of Wright's finest paintings — Trevor Humphries

Cotton Mills at Cromerford lit up against the night sky. In spite of that painting, Wright found much more inspiration in the 18th century cult of sensibility than he did in the dawning industrial revolution. He made paintings of Sterne's melancholy Maria, and he executed a version of the tomb scene in Romeo and Juliet in which the heroine's long raised left arm and outstretched hand match the eloquence of the text. The lady in Comus is here, typifying chastity, and so is the widow of the Indian chief, typifying fidelity.

Even in such period stereotypes as the Hermit, the Chained Captive, the Mother with her Baby, Wright found a manner of presentation that was entirely his own. He was one of those rare people who while ostensibly pleasing his customers was capable of pursuing his art to its limits and surely thereby pleasing himself.

Czech follower of Picasso

***Robin Duthy** makes some 'paper' money purchases in the salerooms*

AT SOTHEBY'S London sale of Impressionist and Modern paintings on February 21, I shall "bid" up to £9000 for "Homme Fumant" by the Czech artist Emil Filla (1882-1953). This is a mature work done in 1948, probably in Prague to which he returned on leaving Buchenwald where he had been interned by the Nazis for his "degenerate" art.

Over the 1907-14 period Filla had moved around Europe assimilating German Expressionism and the Cubism of Braque and Picasso, later becoming the leading figure in a flourishing school of Czech Cubists. Well represented in the Prague National Gallery, he is one of many East European artists whose work, with the removal of the Iron Curtain, may now become recognised and available in the West.

The debt to Picasso in this painting is clear enough, yet the image has its own originality and strength. Furthermore, the profile-cum-frontal view – Picasso's fourth dimension – and the shotgun nostrils are less severely handled than with Picasso. Sitting perhaps in a bar, the smoker is fully involved in the act of smoking; mouth open, lips at the ready, shoulders hunched, the left hand splayed out to support the body in readiness for a deep drag. From the cigarette meanwhile, there rises an innocent plume of smoke. In 1948 the cigarette was not seen as the killer it is today, yet this can be read as a study in addiction nonetheless.

At Christie's New York sale on February 26 I shall be "bidding" up to $80,000 for a Louis Valtat still-life of flowers and apples. No Expressionist flower painter can avoid comparison with Van Gogh, and on that basis Valtat can look a bit dull. Yet as one of the original Fauves at the Salon d'Automne exhibition of in 1905 he produced astonishing landscapes, although his creative pulse weakened once Matisse went his own way.

Yet Valtat's colourful, complex patterning of flowers, fruit and draperies reached a new maturity in the 1930s and '40s. The going rate at auction for a mainstream Valtat is still just £12,000 reflecting the enormous supply of his work. A hundred and forty paintings were auctioned last year alone. This must be a negative factor in assessing investment prospects, yet it means that you get better value for money. If 140 van Goghs were auctioned each year, prices for his work would be a lot lower, but it would not mean as an artist he was any less great.

Finally, I "bought" from a recent exhibition put on by Karsten Schubert and Rupert Wace at 85 Charlotte Street a mysterious Celtic sandstone bust. It was found near Otley in West Yorkshire and was carved some time between 500 BC and 500 AD. The head is powerfully carved with prominent eye-lids, triangular nose and a fine Celtic Colonel's moustache. The forehead is carved with the "striae" or "worry lines" – that are often more deeply incised on Celtic heads.

For the Celts the human head was perceived as the centre of the personality and the seat of the soul. Its significance for them was akin to that of the Cross for Christians. These sacred, deified heads were often placed close to springs, pools and rivers, acting perhaps as talismans. Often the top of the head is hollowed out to make room for an offering. The £8000 I "paid" for the 49 cm bust seems a modest sum for a one of the rarest and earliest art-works to have been produced in Britain.

Up to £9,000: 'Homme Fumant' by Emil Filla, to be sold at Sotheby's in London on February 21 (top); and for Louis Valtat's still life in Christie's New York sale on February 26, up to £12,000

The other side of the hammer

JOHN HERBERT spent almost 30 years of his life selling Christie's to the press and, through the press, to the world. Somehow, as director of public relations at King Street, he managed to retain his integrity. Certainly his memoirs, *Inside Christie's* (Hodder & Stoughton, £20), come as close as you are likely to get to the moral problems that confront civilised men when they are decide to earn a living regarding beautiful objects in terms of profit.

He does not flinch from the fact that when he joined Christie's the company was run by foul-tempered martinets, frozen in the past, who recruited by social contact and accent – if you were not quite a gentleman (preferably an Etonian), you were quickly shown the door. Even a generation later the company could say goodbye with equanimity, and the lowest legal compensation, to a loyal member of staff who had worked his way onto the board from the back streets of Lambeth.

Yet, behind this pukka façade, one chairman suggested to Herbert that he seduce the saleroom correspondent of *The Times* in an attempt to stop her exposing some of the procedural lies built into saleroom practices, while a later chairman succeeded, briefly, to the job even though his colleagues knew that he had lied about the results of a New York auction.

But, however badly Christie's comes out, Sotheby's naturally suffers even more. The driving force behind its growth, Peter Wilson, was prepared to go to any deceits to secure valuable properties. When the Americans bought Sotheby's to clear up the financial mess that Wilson bequeathed it, the new owner, Alf Taubman, showed himself to be equally financially manipulative, comparing the purchase of art to the purchase of root beer – both unnecessary but both providing a warm glow.

The old familiar stories get a welcome airing, from the extraordinary scenes when Christie's in London sold Rembrandt's portrait of his son Titus for 760,000 guineas in 1965 to the disaster of Christie's first sale in New York.

John Herbert of Christie's with Rembrandt's Titus in 1965

American millionaire Norton Simon had expressed an interest in buying Titus but insisted on a complicated bidding procedure involving him bobbing up and down like a yo yo. In the heat of the auction he totally ignored his own system and the picture was knocked down to the rival Marlborough Gallery. Simon exploded and forced a re-run from which he emerged triumphant. The Marlborough behaved like gentlemen and accepted a very suspect sale.

Christie's debut Impressionist sale in New York in 1977 was an unmitigated disaster, with over half the lots unsold. In fact it proved even worse than that because the most expensive picture that did sell, a Van Gogh, went to that rare species, a rogue bidder who subsequently proved to have no money. Trying to sell the results of this auction to the press was Herbert's worst moment.

At least Herbert came clean. A couple of years later David Bathurst, who by clever wheeling and dealing had built up Christie's Impressionist business in New York to rival that of Sotheby's, found himself offering eight choice pictures to a blank audience. Only one sold. Fearful of destroying art world confidence he was economical with the truth and invented a few buyers. The vendor sued; Christie's was caught up in fearful legislation; and Bathurst's reign as a reforming chairman in London came to a sudden end.

Fortunately, there have been relatively few bad sales in the past three decades. Stock markets may get the jitters, the price of art has risen inexorably, to the amazement of insiders and the benefit of the auction houses, who despite, or perhaps because of, their questionable ethics, have become one the few great British success stories.

In 1969 Christie's produced thin uninformative catalogues for auctions in London and had annual sales of £3.1m, while Sotheby's managed £8.4m. Last year Christie's turnover was £1.3b and Sotheby's almost £2b, with most of the business of both based on New York where individual lots can now make more than the annual totals of three decades ago.

There is very little legislation controlling the running of an auction, at least in the UK, and practices like taking bids from the chandelier and pushing the price up to a fixed reserve even though there is not a bidder in the room must surely end soon. As must the look of casual insouciance with which auctioneers try to disguise bought in lots. A firmly announced "unsold" would not destroy confidence. Herbert writes of a delegation of Sotheby's and Christie's heavies visiting *The Times* to try and persuade its then editor William Rees-Mogg to prevent Geraldine Norman reporting on unsold lots at auctions, absolutely crucial to estimating the success of a sale. By maintaining obscure rituals the salerooms have only succeeded in creating the impression that they are more money grabbing and deceitful than they really are.

John Herbert is persuasive in recounting the improvements that have come about. The staff are now paid market rates; the departments run by trained experts; there is more openness, even if such unseemly practices as contacting rich widows while their spouses are barely cold continue. Some of the fun has gone. The Young rips in the pictures department no longer invent artists like Lawrence Bastard and Van Essa Bell when cataloguing unknown bad painters.

It is nice to be reminded that the current Mrs Taubman was spotted by her husband while working at Christie's; to learn that during the Cuban missile crisis those strange Englishmen in Havana were Christie's directors invited over to discuss the sale of the treasures of the overthrown Batista regime; and that while auditing the treasures of Northwick Park the Christie's team could take time off for skiing on the lake.

Antony Thorncroft

New York Saleroom

Futurist slap in the face

"ART DOESN'T represent cheques," Lydia Winston Malbin once said, referring to the fact that none of her fabulous collection of 20th Century art was for sale. But now, almost 30 years later, it is for sale – complete; and Sotheby's New York estimate that it will fetch up to $85m when it comes under the hammer next May. As they have guaranteed the sale, they should know.

The auction will mean the break-up of what is probably the greatest collection of Futurist art in existence: a collection that was assiduously sought after by many of America's major museums, including the National Gallery, Washington, the Detroit Institute of Arts, the Met, the Whitney, and MoMA. But on her death last October at 91, Lydia Malbin dealt these institutions a sharp slap in the face by leaving them only token works: a painting by Otto Freundlich to MoMA, a Mark Tobey and two sculptures by Gaston Lachaise to the Whitney, and the papers of her father, architect Albert Kahn, to Detroit. The Met must be content with a group of works by Boccioni and sculptures by Henry Moore and Antoine Pevsner that she gave it shortly before her death.

Mrs Malbin's decision to leave the bulk of her estate to her family has come as a surprise to many in the art world, as it means, inevitably, the dispersal of the collection. It is surprising, because Mrs Malbin was a studiously intellectual collector, who developed friendships with artists, preserved every scrap of documentation relevant to her acquisitions, and liked, above all else, to share her treasures with students.

She came from Detroit. From her architect father she inherited a Monet, "Water lilies," and a Degas, "Dancer," both of which will now be sold (estimates $8m and $2m, respectively). When at 30 she married a Detroit lawyer, Harry Lewis Winston, they became collectors. "From posters, we moved to Chagall – everyone starts with Chagall," she was to say years later, adding that "the collection really began with Chagall, Vlaminck, Feininger and Soutine. Of course, even then we were not buying names but the work of people who seemed to be thinking creatively."

Mrs Winston (she married Dr Malbin after Harry Winston's death), thought creatively herself, and in 1939 embarked on a full-time course at the Cranbrook Academy of Art in Michigan. She became an accomplished potter, and, together with Ero Saarinen and Pipsan Swanson, produced a line of hand-made everyday objects in ceramic.

In 1938 she met Alfred Stieglitz, at whose American Place Gallery she was introduced to the work of American contemporary artists. But her serious collecting dated from the mid-1940s, and her friendship with Rose Freid, whom Lydia often acknowledged as having played a fundamental role in the formation of her collection. From Mrs Freid's Pinacoteca Gallery in New York, Lydia Winston bought consistently at this time: an Albers in 1946, a Mondrian (now estimated at $5m-$7m) in 1947; a Braque; and several works by Kurt Schwitters in 1948; an Arp sculpture; a Van Doesberg still-life; and an El Lissitzky collage in 1949. In the same period, she purchased, in 1949, a Calder mobile from the artist himself and, in 1946, a Jackson Pollock, "Moon Vessel" of 1945 from Peggy Guggenheim (now estimated at $1.8m-$2.5m).

Mrs Winston Malbin believed that "for the dedicated collector, the understanding of art must be a constant and continuing process of observing. The education of the eye never ceases." And so, in the spring of 1951, together with her husband, she set sail for Europe and the encounters that were to change the shape of her collection and make it so remarkable. In Rome they met the artist Gino Severini and subsequently visited him in his studio in Paris, where they bought one of his works, "Sea Dancer" (now expected to sell for $2m-$3m). With its purchase came the couple's introduction to Futurism.

This Italian art movement, which had a certain dependence on Cubism and dated from 1909-14, was both defunct and ignored by the time the Winstons discovered it in the early 1950s. Its principal exponents had been Carlo Carra, Luigi Russolo, Boccioni, Balla and Severini, and its manifesto had been written by the poet Marinetti. Lydia and her husband befriended Marinetti's widow, Boccioni's sister and Balla's daughters. It was mainly from these sources that they acquired the bulk of their Futurist collection: Balla's "Stairway of Farewells" and "Injection of Futurism" – the latter now estimated at $3m-$4m; 200 Boccioni drawings and the same artist's sculpture, "Fist" (estimate $2m-$3m); Russolo's "Perfume" (estimate $200,000-$300,000); and much else besides.

From the start, the Winstons lent their collection generously. One of the earliest exhibitions was in Detroit in 1951, one of the last at the Guggenheim in 1973. The works by Boccioni formed the mainstay of the Met's Boccioni show in 1988. Mrs Malbin had deposited – on loan only – more than 7,000 letters and documents relating to the collection with the Archives of American Art.

But, from the museums who sought her collection as a gift, she wanted accolades and honours such as those museums would never give; and, as they never gave, neither did she. As a result, her sale promises to be the highlight of the New York auction season.

Homan Potterton

ARTS

When Ma Rainey went to Hackney

***Claire Armitstead** reports on the problems of reaching and keeping a black theatre audience*

THE NATIONAL Theatre returned to home base today to count the gains of a pioneering move to give the East London borough of Hackney a glimpse of *Ma Rainey's Black Bottom*. The choice of August Wilson's black American blues drama, part of the current Cottesloe repertory, for this first outing to the Hackney Empire typifies the National's valiant attempts to broaden and extend its audience through the least conspicuous part of its programming, its outreach work. The Hackney Empire, a fine late-Victorian music hall quite unlike the Cottesloe in either scale or atmosphere, has built up a sizeable black following. The National, conspicuously, has not.

In its highlighting of the lot of the American negro through the story of the singer Ma Rainey and her band, Wilson's play would seem to provide an ideal vehicle for reconciling London's large and largely untapped black community with the white concrete citadels of the South Bank. Lest anyone forget whence the show had come, the National's counter staff were out in force, staffing a table laden with NT merchandise for the trickle of people milling round the bar on the second night of the run. They would have been hard-pressed to find more than one black face in ten in an audience who whose average age must have been almost double that of the Empire regulars.

This does not mean that *Ma Rainey* failed to get to the parts other National projects do not reach. "By the end of the fortnight we'll probably be sold out," predicted a becalmed box office attendant, and on at least two nights they were. But it does highlight some of the problems of gaining access to the huge pool of potential black theatregoers among whom popularity tends to spread by word of mouth; loyalty tends to be geared to product rather than venue, and bookings are seldom made in advance.

For David Aukin, the National's executive director, this creates an imponderable double bind which is at its most acute on the South Bank itself. "We have a very loyal audience for which we're very grateful, but there's a whole psychology about going to the theatre in general and the South Bank in particular. The very fact of getting people to the building for the first time is a task. Then there's the problem that people perceive us as being always sold out in advance, which often isn't true. Going to Hackney should be more like going to the movies."

Although the artistic risk of blasting such an intimate production into the expanse of a proscenium arch theatre is quite considerable, the financial risk of Ma Rainey's Hackney outing is minimal. For those engaged in a full-time battle to attract and provide for black audiences the stakes are high and the odds often painfully unpredictable.

The runaway success of the last few years has been the extraordinary musical pageant *Black Heroes in the Halls of Fame*, which cites a parade of historical figures – including, bizarrely, Queen Victoria – as the heroes of black heritage. It has had seven runs already at the Hackney Empire, stopped off briefly at the Astoria, and is rumoured to be en route to New York. Mention of the show elicits embarrassed bewilderment in the black theatre establishment, with the grudging admission that it seems to have hit a nerve – a nerve which remained resolutely unstimulated by the lavish, costly and artistically far superior *Mass Carib*. The lesson it has taught everyone working in this sector is, that black theatregoers will find a show that they like and will go back to see it again and again.

Anton Phillips, a founder of the umbrella body Black Theatre Forum and producer of its 1990 play season shortly to open at Hammersmith's Riverside Studios, believes that the ability to build a black theatre following depends on constructing a credible and consistent black theatre establishment, with its own artistic bases. Few now have any faith in the infamous international centre for black arts planned for The Roundhouse: the Arts Council has stalled on the latest £4m development plan which would add an *initial* £600,000 of public money to the millions that have already been spent.

For want of a unifying outlet, fragmentary solutions have developed. Brixton Village and the rastafarian-orientated touring company Double Edge stand at one end of the spectrum, with with a scattering of small, sympathetic but generally *white-managed theatres* at the other. The black theatre season, now in its sixth year, sits in the middle with its aim of promoting black plays by black performers and producers for a mixed race audience. When the season started in Covent Garden's Arts Theatre in 1983 it had no competition, little precedent and hardly any audience. "No black person would have expected to find anything for them in the West End, so many of them didn't look," says Phillips, who experienced the same problem later when his production of James Baldwin's gospel musical *The Amen Corner* transferred miserably to the West End from a sell-out at the Tricycle in Kilburn.

The *last few years, he says*, have been a process of education of both audiences and the theatre establishment itself. Marketing strategies have become sharper, and there is far more to market. Hackney Empire, for instance, attributes to *Black Heroes* its valuable discovery that the best vehicle for publicity is pirate radio. But despite the bevy of black *shows coming* up in the next few months the central problem remains. "There are very good things happening, but after close to 20 years of extraordinary growth in the theatre I still can't take my kids out any night of the week to see a black play," says Anton Phillips. Until people accept the theatre as their cultural due, they are unlikely to beseige the box office for one-offs like *Ma Rainey's Black Bottom*. They are less likely to follow it back to the South Bank.

Jacqueline de Peza and Hugh Quarshie in the National Theatre's production of 'Ma Rainey's Black Bottom'

A 'Tale' to catch

THE SICILIAN court is having a ball in this rendering of Shakespeare's *The Winter's Tale*; Leontes and Polixenes both wear paper crowns over 19th-century uniforms, Camillo a cardboard fez. He holds a bottle and two glasses as he chats with Archidamus. Hermione is as friendly with Polixenes as her husband tells her. Then Leontes senses too much intimacy in their modest embrace; the lights dim, the pose is held, and spotlit, he bursts into his sudden jealousy. The story has begun, and the character of this imaginative production has been established.

Phyllida Lloyd, the director, is no more restrained by the Royal Exchange Theatre's round stage in Manchester than she was by Bristol's conventional one. If she wants gaiety, there will be comedy, even farce, as free as she needs, but the mood can change at once, her characters with it, to encompass whatever comes next.

Emotions are where they should be, on the outside. Any useful symbol can be invoked; Emilia has to pass a modern uniformed wardress to visit Hermione in prison, and the fun at the sheep-shearing takes place among half-a-dozen stuffed sheep. Autolycus (female, wonderfully played and sung in Glaswegian by Myra McFadyen) arrives on a motor-bike. Anything goes.

The playing matches the production. I haven't heard such consistently good verse-speaking for a long time, and every movement is right. Sean Baker's *Leontes* is short-tempered from the start, shouts anything like an instruction – I've never heard the requirement that Mamillius should "Play, boy, play!" made so harsh, yet it went with the mood of the moment. Mark Drewry's Polixenes, on the other hand, was smoothly courteous at Leontes's court, and this underlines his fury when he discovers his heir preparing to marry a shepherd's daughter.

Florizel is played by Adrian Lester, who is black and elegant; he blends a genuine courtesy with youthful sportiveness at the shearing. That quality is beyond Kulvinder Ghir, miscast as Mamillius, for whom he is about 10 years too old, but he is a good Young Shepherd. A boy Mamillius is one of the two small lacks of the evening. The other is the bear, whose dinner is served offstage.

Claire Hackett's Perdita is more delightful in her country persona than in her adopted aristocracy, but charming in both. Her lines about the gillyvors, the daffodils and the rest were magic. The company is rich in young actresses; besides the female Autolycus, Cleomenes and Dion are girls and the officer at Hermione's prison. Barbara Marten plays Hermione with much sympathy, and looks ravishing as, disguised as sculpture, she revolves on Paulina's mobile stand. She is well served by Ellie Haddington's Paulina, who succeeds in her dual requirement of being both argumentative and charming.

The designer is Anthony Ward, who has worked with Phyllida Lloyd at Bristol and knows her style, and the imaginative lighting is by Kevin Sleep. Gary Yershon has provided the songs, apt and pretty.

The production, subsidised by the National Westminster Bank, will tour in a newly-designed tent-theatre of a pattern similar to the Manchester theatre but with only one storey, so holding only 480. Between March 21 and May 5 it will visit ten sites, beginning with Crewe. It is worth any trouble to see it.

B.A. Young

Barbara Marten: ravishing as Hermione

Records

Jazzy airs for player piano

IN THE 1930s Conlon Nancarrow was a jazz trumpeter who studied composition with Piston and Sessions. Harassed by the American government when he came home from fighting the fascists in Spain, he retreated to Mexico and began to compose almost exclusively for player piano. This may seem an extreme reaction; but the music – more than 50 Studies so far, and recently some commissions for live-performer pieces – is extremely fascinating.

For Nancarrow, the point of the player piano is not just that it can do technically brilliant things impossible for pianists, but that it can realise the most complex rhythmic polyphony with superhuman precision. (The composer hand-punches his own piano-rolls.) His Studies have developed from canonic fantasies, often with jazzy airs and boogie-basses, to richly imaginative play with superimposed rhythms and cycles – possibilities barely tapped by other composers. And what's exciting about these is not merely the crackling ingenuity and wit of Nancarrow's constructions, but the discovery that for the ear, clashing rhythmic patterns generate further, mysterious second-order patterns.

The result is a kind of aural equivalent to the paintings of Bridget Riley, and like her Nancarrow achieves much more than dizzying tricks: you *have the sense that your ears* are discovering things they didn't know they could hear. No wonder that other composers – notably György Ligeti – have found him a vital tonic. Yet a peculiarly American virtue of these pieces is that they are "popular" in two good senses: they speak directly in their own terms, without trading upon any sophisticated in-group experience, and they cajole and reassure by sporting familiar jazz insignia.

The new CD (Wergo 60165-50) gives us Volume 5 of the Studies – elaborate, gripping, unpredictable and superbly recorded from Nancarrow's own player piano. Susceptible listeners might like to go back to find their feet in the earlier volumes. They could also acquire Rolf Hind's new piano recital (Factory Facd256), which includes Ligeti's splendid sextet of Etudes. After Nancarrow's player piano, he sounds less than ideally incisive in Ligeti's most Nancarroid studies (the first and third) – one dreams of what Pollini or Demidenko might do with them; but Hind's assured grasp of the musical sense far outclasses what we heard at their London première, and he offers much beautiful playing in a substantial programme.

Besides the Ligeti it includes Messiaen's "Le Courlis cendre," and Elliott Carter's noble Piano Sonata of 1946 (perfectly "accessible," and certainly beholden to Copland's sonata, but a seminal work) – and some Steve Martland, his 1982 *Kgakala*. You might have seen young Martland on TV recently, hunting down the reactionary Establishment élite who won't make room for Reich and Glass and John Adams, the minimalists and post-minimalists who command the nearest thing to a popular audience for "classical" music. Martland sets great store by Communication.

Kgakala doesn't, however, represent him at his communicative best. A loose-knit affair of ethnic bits, repeated-note flurries, Messiaenic neo-Impressionism and humanist *malaise*, it confirms the thesis that what "evocative" music generally evokes is other evocative music. His 1983 *Babi Yar* and his 1987 *Drill* (played, respectively, by the Residentie Orkest of The Hague under Elgar Howarth, and the duo-pianists Gerard Bouwhuis and Cees Van Zeeland: Facd266) make bolder fists, especially if one takes the advice in the sleeve-note: "This recording should be played at a high volume."

If you do, both these expansive pieces sound terrific. It helps to imagine yourself among a crowd ready and eager to respond to Martland's fervent sincerity, but not too familiar with his evident models: routine Stravinsky syncopations, Messiaen's hieratic chorales with insistent chimes and gongs, neo-Hollywood *à la* John Adams, laced with big-band riffs. (I fancy that John Buller's *Proença* with its searing electric guitar is somewhere behind this, too.) In short, everything that currently pleases is here; against the élitist dogma that there's no longer any musical *lingua franca*, Martland illustrates exactly what it is. I suspect that there is also, nevertheless, an individual Martland waiting to emerge.

For tenderer ears (Home Counties, say) there is a winning discovery on ASV CD DCA 686: the opening Allegro of Fauré's early Violin Concerto, performed in 1880 but then abandoned, and until now forgotten. It is a good piece, with Fauré fingerprints all over a 19th-century frame, *and Rodolfo Bonucci plays it* ardently. What gives it more than archaeological interest is that Fauré was to recall its main theme forty-plus years later for his last work, the infinitely subtler String Quartet; the comparison is seriously illuminating. Enrique Bátiz conducts the Mexico City Philharmonic stylishly in the rest of the programme, all evergreen Fauré.

Susan Drake's harp recital (Hyperion CDA66340) includes both of Faure's ACT'e' mature, haunting pieces for her instrument, the radiant Impromptu and the elusive "Châtelaine en sa tour," but she is literal and pedestrian with them – instrumental colours nicely contrasted, the lyrical lines quite flat. The rest consists of lighter 19th-century stuff, modestly appealing. In the soprano Barbara Hendricks' new Fauré collection, *La bonne Chanson* is invincibly respectful and pretty; it's left to her pianist Michel Dalberto to supply all the live expressive force. She is lovely, though, in many of the separate songs.

An imposing rediscovery from Fauré's time is the Violin *Sonata of the crusty*, melancholic Albéric Magnard, played with searching authority by Augustin Dumay and Jean-Philippe Collard on EMI (CDC 7 49890 2) along with Franck's Sonata. The Magnard revival continues apace, and listeners who have come upon his remarkable Fourth Symphony or his opera *Guercoeur* will recognise the impassioned stoicism of this grandly built sonata.

On DG 429 353-2, "live" Michelangeli performances (from last year) of Mozart concerti, K. 466 and 503, looked promising, but I was disappointed. Despite stretches of refined playing and some extraordinary dramatic touches in the cadenzas, the great pianist mostly sounds devitalised and even *disaffected*. Cord Garben, conducting the North German Radio Symphony, actually has much more arresting, provocative ideas about the accompaniments.

David Murray

Radio

Frontiers pushed out

GALVANISED by Salman Rushdie's piece in last Sunday's *Independent*, and his lecture, Is Nothing Sacred? (read for him by Harold Pinter), the BBC released on Tuesday a year-old *Kaleidoscope* interview, made when *The Satanic Verses* was new. "Literature is an argument with the world," was his theme; one must push out frontiers. "I thought I'd gone to enormous lengths to avoid offense," he claimed, when he symbolised his doubt in the stories of his religion by putting them into a dream.

Islam's charge, he thought, was not so much that he contradicted its teachings as that he caused doubt. This was consistent with his principles, for to him the modern condition was centred in doubt, with no inviolable certainties. It was an interesting interview, but the Imams found some certainties for him.

Another whose present repute doesn't entirely rest on his talent is the guitar-player Eric Clapton. Radio 1 gave him two hours from the Royal Albert Hall on Saturday and will give him two hours next week, when we shall hear the concerto written for him by Michael Kamen. An introductory feature, *The Journeyman* revealed the sources of his talent.

Kingston Art School was a social, not an educational boost. On another level, he entered "a fantasy world" inhabited by Gene Vincent, Chuck Berry, Buddy Holly ("the way he looked!") No time for Bob Dylan (currently competing for his audiences), only for blues – blues, that is, in today's rock-and-roll manner. The sound of an amplified guitar "killed all inhibitions."

The Albert Hall, "so genteel, so sophisticated," is the place for this concerto, composed by Messrs. Kamen and Clapton in collaboration. "It will depend," said Clapton frankly, "how much I can remember without *ad libbing*." *My only available* expert, who presents a programme on an independent station, reckoned "He's a bit old now."

He is 45, not ready for another spin-off from Radio 1, *Will You Still Love Me?*, which deals with the over 60s. This was produced by Radio 1's Youth Programmes Unit under Sukey Firth, but comes on Radio 4. I heard the first part of four on Wednesday.

Men and women alike reckoned that sex was still a good thing, "better as I got older, the orgasm lasted longer." One lady had her first orgasm after being introduced to the vibrator. There was the natural trouble that we (but perhaps not they) read about in *Jake's Thing*. The frankness shown by both sexes was a tribute to the skill of the interviewers. One lady had been married and divorced, then remarried her divorced husband. "Is it better the second time?" "Oh, it's ever so much better!" – but that was Sarah Miles in *Desert Island Discs*, with a different interviewer. We may meet that problem in one of the next three programmes.

Tuesday's Radio 3 play (billed under "Drama Now," but originally broadcast in 1988) was Cecil Jenkins's *The Singular Case of Sherlock H. and Sigmund F.* F (for Freud) is lecturing at Bart's, where Watson meets him. H (for Holmes) has lately suffered a series of attacks suggestive of the infamous Moriarty, who fell into the Reichenbach Falls six years before. A mysterious figure has been identified with these attacks, with black eyes and beard, like Freud's. Watson breaks into Freud's room and reads his papers on the Oedipus complex. Horrible! that people should hate their fathers and desire their mothers!

The fact is that Freud diagnoses *an Oedipus complex in* Holmes, on pretty thin evidence. More, he suspects a gay affair between Holmes and Watson (which is no doubt why he always calls Watson "my dear.") It's a comic idea, and gives room for some Holmesiana. But Lestrade says the attacks were all the work of a madman, Hollingdale, and adds that Moriarty was no great criminal, only an amateur. In fact the story fizzles out. But it was nicely played by Ronald Pickup as H, Andrew Sachs as F, and Norman Rodway as W. John Tydeman directed.

B.A. Young

Chess No. 809

1 ... Rxb2+ 2 Qxb2 Bd3+ 3 Kc3 (3 Kc1 Ba3) Bb4+! and if 4 Kxb4 Qxb2+ or 4 Qxb4 Qc2 mate.

SPORT

*RUGBY SPECIAL: **Tim Burt** previews an international needle match in Wales while **John Kitching** examines proposed law changes*

Women make the running

THE NATIONAL rugby union sides of England and Wales will do battle on a muddy field in Neath, west Wales, tomorrow. The coaches predict it will be hard-fought and have told their players to "take no prisoners."

The wet conditions could favour the powerful Welsh forwards, who are determined to keep possession away from an English back division which has out-played them in their past three meetings. Jeff Williams, a former Pontypool wing three-quarter and now the national coach, is banking on the big guns at the front to win the match. "The England backs are exceptional but my girls will die for Wales," he says.

More than 2,000 people are expected to watch the game, the needle match of women's rugby. The local side will be earning their first international caps from the Welsh Rugby Football Union (WRFU), putting to rest rumours that the male-dominated establishment is reluctant to recognise that the women in red represent their country officially.

That reluctance might be linked to the poor Welsh record against England: just 14 points scored and 96 conceded in those three matches. The English women have succeeded where their male counterparts have failed – winning convincingly in Wales. But the English supremacy has been blamed by some Welsh women players on male chauvinism. There are only 11 female teams west of the border compared with more than 100 at English universities or affiliated to English clubs such as Saracens and Waterloo.

The WRFU rejected a bid by the women to play tomorrow's fixture at Cardiff Arms Park, the national stadium. Williams is anxious to play down his team's disappointment but Lisa Burgess, the captain, says: "We suffer because we do not have the same backing from men's clubs as exists in England." The rugby gender gap saw the Welsh union send their men's team for warm-weather training in Lanzarote in preparation for the annual Five Nations championship series. The women have trained in rain-soaked Abertillery. But there is similar "discrimination" in the way England are treated.

Last weekend, the English Rugby Football Union (ERFU) paid for the men's team to stay at the luxurious Grand Hotel in Paris for their Five Nations match against France. This weekend, the women's side will be staying in two of Neath's cheaper bed-and-breakfasts after paying their own travel expenses – plus a fee for the privilege of wearing the all-white kit with its distinctive red rose.

English women's club sides have overcome resistance from the ERFU authorities at Twickenham by showing that their sport was growing so fast abroad that the home countries were in danger of being left behind. Early in the 1980s, a US team touring the UK found there were no women good enough to give them a game. "They had to play against themselves," recalls Deborah Griffin, spokeswoman for the women's union. Now, the game has spread to France (which beat Great Britain 14-8 in their first match), Holland (which beat Wales three tests to nil), Italy, Sweden ("who were thrashed by England," says Griffin), Canada, New Zealand, West Germany, Spain, Belgium and even Japan.

> *'The commitment would put the men to shame'*

Griffin, who also chairs the women's club at Richmond, near Twickenham in south-west London, says there is less sexual bias in other countries because women took up the game at the same time as their male counterparts.

The first English club to embrace the women's sport was Finchley, in the heart of Prime Minister Margaret Thatcher's political constituency. It was followed by some of the country's biggest clubs, and fixtures between female teams have become money-spinners. Griffin says: "The financial benefits can be enormous. Clubs can increase membership substantially and can open club facilities on Sundays when the women play." The monetary spin-off has spread to the national side, which is starting to attract sponsorship. Even here, though, the "maleness" of the sport means the backers are more likely to be breweries, such as Carlsberg, rather than Esteé Lauder.

B. I. G. Homes of Pontypool has sponsored tomorrow's game – paying for a new challenge cup as an incentive for the Welsh side to score their first victory against the English – while Williams and Mark Spivey, his Australian fitness coach, have put the side through rigorous training. "The commitment of these girls would put the men to shame. They play at 100 miles an hour," says Williams. Inevitably, the growth of the sport has also seen an increase in the number of injuries and inevitable clashes off the ball. "But nobody has been paralysed," says Griffin, "just broken bones and one case of internal injuries."

The bruising pace is a testimony to the hard tackling by the women. The Welsh coach claims male spectators who come to the match for a laugh will be "putting down their pints and watching avidly. They play the game harder than the men. It's not dirty, mind you. We've a number of married women playing and I've never seen a punch thrown or illegal use of the boot."

The English response to the powerhouse Welsh forwards will be to fling the ball to their speedy backs. Women players, unlike men, do not rely on kicking to gain ground and their game lacks the often-monotonous punting from one end of the pitch to another. England captain Karen Almond says: "It will be a running game. We have two very sharp wings and a strong full-back who are all capable of match-winning play." Williams says his side will win by 10 points and warns Almond: "England are not invincible. We can beat them."

Alan Harper

Preparing for the crunch: England's forwards work out on a scrummaging machine

Teams: WALES – Backs: 15 Alison Congstaff, 14 Sharon Gibby, 13 Sandra Phillips, 12 Enid Davis, 11 Jackie Morgan, 10 Leslie Brooks, 9 Janet Gedrych.

Forwards: 8 Anne Williams, 7 Carol Thomas, 6 Helen Cairy, 5 Francis Margerison, 4 Lisa Burgess, 3 Marie Bowen, 2 Bess Evans, 1 Elaine Skiffington.

ENGLAND – Backs: 15 Jane Mitchell, 14 Cheryl Stennett, 13 Samantha Robson, 12 Claire Williets, 11 Deborah Francis, 10 Karen Almond, 9 Emma Mitchell.

Forwards: 8 Gillian Burns, 7, Carol Isherwood, 6 Sally Cockerill, 5 Sarah Wenn, 4 Janis Ross, 3 Jayne Watts, 2 Sue Wachholz-Dorrington, 1 Jane Mangham.

Play up and play the (professional) game

SO, FAREWELL amateur rugby star. You had become a myth in the upper levels of the game where expenses and job offers often were part of the club transfer market. But for the International Board officially to endorse some aspects of professionalism, as it is expected to do next month, is a considerable step forward (writes John Kitching).

Many feel that the proposals do not go far enough; others that they should not even be considered because they will be Bad For The Game. What is important is that the rugby union authorities have at last decided to address the subject of professionalism, and to accept that a few bricks should be removed from the walls of amateurism. But the choice of the areas targeted is idiosyncratic, to say the least.

In the brave new world of the 1990s, it looks as if leading players will be allowed to accept payments for opening supermarkets but not for advertising chocolates or lager. It is difficult to see any difference between associating yourself with, say, Sainsbury's and endorsing Carling Black Label. But there we are.

Subject to the International Board's approval, leading players and officials can expect to earn money from:

- Loss of earnings payments for home internationals (subject to proof).
- Books and articles.
- Broadcasting and speeches.
- Television and films.
- Personal appearances.

They will not be allowed to earn from:

- Playing the game.
- Advertising and promotional work.

If the changes are implemented there will be a very real sense of history repeating itself, for it was the very issue of "broken time" – or loss of earnings incurred while playing the game – that brought about the rugby league breakaway in 1895.

The death knell for amateurism, or "shamateurism" as it more realistically is in the higher reaches of the game, has been greeted with muted joy by leading players and dismay by English administrators such as Dudley Wood, the Rugby Football Union secretary.

"We have strong reservations," he said. "Paying players for time lost when they are on international duty looks fairly innocuous, but the implications behind it are worrying. If this is the sort of game that everybody wants, then fine. If you join a club, you have to abide by its rules."

Many players, however, think that the changes do not go far enough. The reaction of England and British Lions hooker Brian Moore, a Nottingham solicitor and advocate of professionalism, was typical: "It seems very piecemeal. They should have changed everything in one go."

One thing is certain: no rugby player is going to make a fortune on the back of the proposed changes, and only a few will make anything approaching substantial amounts. A dashing three-quarter who is articulate into the bargain is going to make much more from personal appearances than a taciturn, cauliflower-eared prop forward.

Surely, if the International Board wants to reward senior players for the huge effort they put into the game, it would be fairer to move to direct payments for playing. Such a step would at least address rugby union's worst-kept secret: that jobs, "expenses," cars and even houses are used by several top clubs as inducements to players.

On the one hand, it would seem logical for rugby union to follow soccer and cricket down the professional road. On the other, there has been professional rugby in England for nearly 100 years and it is still confined almost entirely to Yorkshire and Lancashire. Even there, only a handful of clubs have the support and resources to reward their players handsomely.

Rugby union is popular – but is it popular enough to go fully professional? And is it wealthy enough?

Perhaps it is the broad amateur base of the union game that provides its strength. That someone like Dewi Morris, for example, could progress from junior rugby to the England side within a few months – as he did last season – is evidence of something soccer, cricket or rugby league would be hard-pressed to match.

The greatest strength of rugby union is, perhaps, its silent amateur majority and its spokesman, Dudley Wood. He wrote recently: "Whose game is it? Surely, it belongs not just to the top players, important though they are, but to the hundreds of thousands of junior players and to those many ex-players [who are] now voluntary administrators, coaches, referees, groundsmen and fund-raisers.

"And what about all those who cram themselves into club-houses on Saturday evenings and who form the massive crowds who come to Twickenham? Perhaps it is time they stood up to be counted."

Perhaps it is. Perhaps the real danger is that full-scale professional rugby union would mean nothing more than a circus of highly-rewarded super-stars completely out of touch with what is, at grass roots, essentially a players' game.

It was the first rugby World Cup in 1987 – played in Australia and New Zealand – that set a stage for potential super-stars in the sport. Next year, another World Cup will be staged, this time in England, when New Zealand's All Blacks will defend the crown they won in '87.

What else can we expect in the new decade? On the domestic front, Wales have a chance to emerge from the doldrums of the 1980s (one shared championship, compared with six wins in the 1970s) and England a chance actually to fulfil their promise.

Several things are certain. We know that New Zealand are the best international side, that Bath and Neath are the most successful club sides in the British Isles (but not the most attractive), that David Sole is the finest forward in the world, John Gallagher the finest back, and that Nigel Melville has been the unluckiest man in the game in the past 10 years. He was England's best half-back prospect but could not stay free from injury.

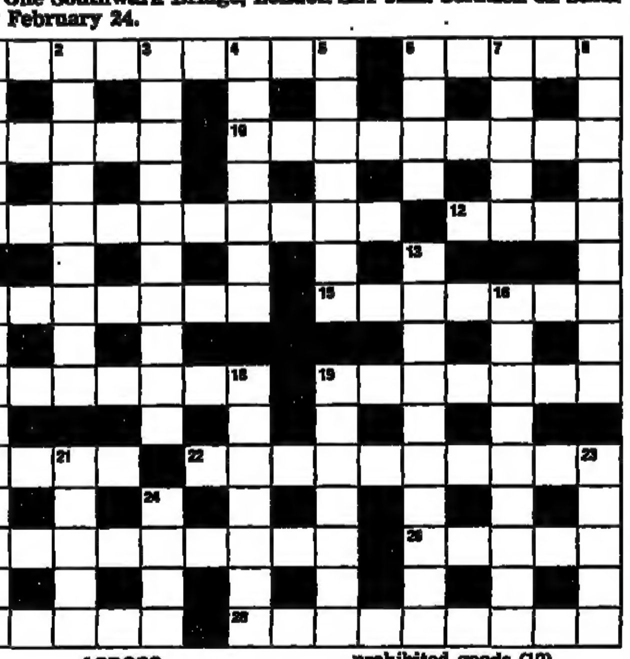
Who are the up-and-coming faces to look for? Here is a random handful. In Wales, Adrian Davies and Andrew Booth; in England, Steve Hackney, John Liley and Simon Holmes. Western Samoa should be pencilled-in as the most improved side of the past decade. If they could stop losing players to the All Blacks, they could be a force in world rugby in the 1990s.

The saddest sight of the '80s was the Fijian side: once purveyors of sunshine and free-style rugby, now given to petulance and mis-directed aggression. As rugby heads towards full professionalism, we can only hope that such negative elements do not become even stronger features of the game.

CROSSWORD

No. 7,161 Set by HIGHLANDER

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday February 21, marked Crossword 7,161 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 24.



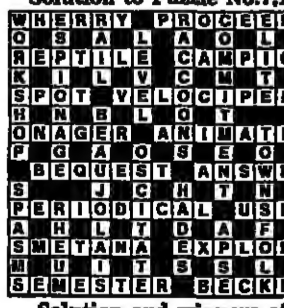
ACROSS

1 Not completely courteous office reported to top Russian committee (9)
6 Moved about aimlessly by motor-cycle (5)
9 Both upset about river beat (5)
10 Polish plant producing drug for African cattle (9)
11 Wagner quartet and German songs heard by principal trouble-maker (10)
12 Deterioration in sport (4)
14 Allow to confer a formal designation (7)
15 Military band including two beginners and a prostitute (7)
17 Make a good profit from sweep (5,2)
19 For example, FT is exceptional inside for content (7)
20 Irish running club (4)
22 Build a case from components of one vitamin (10)
25 Very surprised when we captured vehicle (9)
26 Delight in the morning exercise (5)
27 Panic gets in the way of marines (5)
28 Extend pie-mix as appropriate (9)

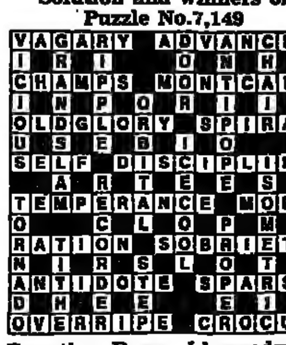
DOWN

1 The fisherman some say is safe (5)
2 Grassed area still sounds OK for spectacles to be held (9)
3 Forbidden language German source is listing (10)
4 University doctor on rampage creates resentment (7)
5 Unusual, like copper not on regular round? (7)
6 Some come and go tight (4)
7 Two; one is flat (5)
8 A wasting disease: there are days without a sign of victory (9)
13 Against secondrate and/or prohibited goods (10)
14 A Chile and New Mexico dish (9)
16 Girl with sex appeal changed, due to fatigue (9)
18 Get hold of professional remedy (7)
19 Project for armed robbery (5-2)
21 Works for nothing for every article (5)
23 An incident the night before over the books (5)
24 Shoot to stop (4)

Solution to Puzzle No.7,160



Solution and winners of Puzzle No.7,149



Dorothy Borg, Llangedwyn, Oswestry; R.M. Ellis, St Levan, Cornwall; Mrs P.D. Hawker, Lincoln; Derek Smyth, Kennington, Ashford, Kent; T.J. Spencer, London N22.

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Kirk Douglas and Henry Fonda star in *There Was A Crooked Man*, Channel 4 10.05pm

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